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# USSR Report

INTERNATIONAL ECONOMIC RELATIONS

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24 January 1984

## USSR REPORT

### INTERNATIONAL ECONOMIC RELATIONS

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## USSR WORLD TRADE

### SOVIET FOREIGN TRADE ORGANIZATION ACTIVITIES SUMMARIZED

#### Trade with Ireland

Moscow SOVIET EXPORT in English No 5 (146), Sep-Oct 83 p 13

[Text] Soviet foreign trade organisations have taken part in the Spring Show--Ireland's biggest spring fair in Dublin--on more than one occasion.

In 1983, V/O Vneshtorgreklama organised within the framework of the fair an exhibition of Soviet foreign trade associations' business information--prospectuses, catalogues and graphic materials showing the export potentialities of Avtoexport, Zapchastexport, Machinoexport, Raznoexport, Sojuzplodoimport, Stankoimport, Techmasheexport, Traktoroexport, Exportles. Besides, the exhibition features Soviet books exported by V/O Mezhdunarodnaya Kniga, and arts and crafts exported by V/O Novoexport.

The Soviet exposition evoked considerable interest in Ireland. It was covered by many Irish periodicals.

While the exhibition was on, a seminar devoted to the problems involved in the development of Soviet-Irish trade took place. Among those present were representatives from government institutions, including Mr. Sean Gaynor, Co-Chairman of the Intergovernmental Soviet-Irish Mixed Commission for Economic, Industrial, Scientific and Technical Co-operation, Deputy Secretary of the Department of Foreign Affairs of Ireland, and from a number of the country's leading business companies.

At the exhibition, Soviet foreign trade organisations signed contracts for the delivery to Ireland from the USSR of timber, tractors and other goods to a total sum of nearly two million roubles.

#### Trolley Buses to Greece, Colombia

Moscow SOVIET EXPORT in English No 5 (146), Sep-Oct 83 p 13

[Text] Energomachexport has won a tender for the delivery of a large consignment of trolleybuses for Greece's ILPAP state electric transport organisation. In 1983-1984, 132 ZIU-9 machines will be delivered to Greece. They will be added to the 124 Soviet trolleybuses already in service in

Athens. Comfortable and manoeuvrable, discharging no exhaust fumes into the air, they carry passengers along Athens' busiest routes both in the centre and in the suburbs. Besides, trolleybuses run along special tourist routes in old Athens, around the world-known monuments of Acropolis. The new consignment of trolleybuses has been purchased following the Athens municipal authorities' decision to use ecologically pure and economical means of transport on a broader scale.

In 1983-1984, 125 ZIU-9 trolleybuses will be supplied to the National Coffee Producers' Federation of Colombia for Bogota Transport Administration which already operates near 100 such machines. The Colombian newspapers pointed out that Soviet trolleybuses are comfortable, noiseless, ecological and meet all the standards set for modern municipal transport.

Energomachexport has supplied over 1,000 Soviet trolleybuses to Argentina, Colombia, Greece, Hungary, Poland and Yugoslavia. Trolleybus sales to other countries of Europe, Asia and Latin America are being negotiated.

#### Export of Domestic Appliances Growing

Moscow SOVIET EXPORT in English No 5 (146), Sep-Oct 83 p 13

[Text] In 1983, the association kept exporting TV-sets and picture tubes to many countries, including those producing their own radioelectronic equipment. For instance, 4,000 picture tubes were delivered to Japan, five million to Italy, thousands of portable and desk-top colour TV-sets to Hungary, Czechoslovakia and other countries.

In a number of European countries we offer for sale new models of the Soviet Zenit photo camera including the Zenit-11 and Zenit-12 reflex cameras delivered to Italy's Ippolito Cattaneo S.p.A. and Britain's TOE joint-stock company. Besides, these cameras are exported to France. A sample batch of the Kiev-88 TTL medium-format reflect cameras has been supplied to the American market for the first time.

Watch and clock export is growing, too. In 1983, Hungary's Konzumex foreign trade enterprise imports men's and ladies' wrist watches of more than 20 new models--Raketa, Chaika, Vostok, Zarya, etc. The Slava alarm clocks, the Yantar wall clocks and the Mayak desk-top clocks sell well on the Romanian market.

The export of Soviet domestic electrical appliances has grown in 1983. The first batches of the Mikma-101 electric razors have been supplied to the Dutch market; Cuba has started importing the Zangizur ceiling-mounted fans, the Efir desk fans and the ER-4 electric towels.

#### Active Promotion of Trade

Moscow SOVIET EXPORT in English No 5 (146), Sep-Oct 83 p 13

[Text] The administration of the foreign trade association Sovincentr under the USSR Chamber of Commerce and Industry held a press-conference for Soviet

and foreign newsmen at the Moscow Centre for International Trade, Scientific and Technical Cooperation with Foreign Countries on the occasion of the centre's third anniversary. V. I. Telegin, Deputy General Director of Sovincentr, told the press-conference that, as evidenced by its three years in business, the Moscow Centre for International Trade had become an active medium for the development of the USSR's economic co-operation with foreign countries and contacts in the framework of the World Trade Centres Association. Today the centre houses more than 50 offices of firms and banks of the USA, Japan, the FRG, France, Britain, Italy, Brazil, Spain, Sweden and other countries. In 1982, Sovincentr accommodated in its hotels nearly 20,000 guests from capitalist countries alone. A number of international economic, scientific and technical congresses, conferences, symposiums, etc. were organised. In 1982 alone, nearly 150 such events took place, including a session of the Executive Committee of the International Association for the Protection of Industrial Property, the 7th annual session of the US-USSR Trade and Economic Council with about 250 representatives from 125 American companies and banks attending, the 10th International Conference for Non-Destructive Testing, the 9th World Cardiological Congress, etc. Sovincentr offers its foreign clients all sorts of information services connected with the organisation of their advertising campaigns in the centre.

Foreign firms--British, Italian, Swedish and Japanese among them--have signed agency agreements with the association to represent their business interests on the Soviet market. This form of Sovincentr's activity has proved of special interest to small and medium firms.

CSO: 1812/61

USSR-DENMARK TRADE REVIEWED

60 Years of Trade

Moscow SOVIET EXPORT in English No 5 (146), Sep-Oct 83 pp 36-37

[Article by O. V. Sushkov, USSR trade representative in Denmark: "USSR-Denmark: Sixty Years of Mutually Profitable Trade"]

[Text]

**T**he first intergovernmental Soviet-Danish Trade Agreement was signed in April, 1923, a year before the establishment of official diplomatic relations between the two countries. In the same year of 1923, Danish goods were displayed in Moscow at international industrial and agricultural machinery exhibition which was visited by V. I. Lenin. Denmark's Sibico company which dealt in Siberian farm produce resumed its operations; a Russian-Danish bank was opened in Copenhagen to grant credits for Soviet trade transactions; Soviet trade mission accredited to Denmark, started chartering Danish ships and purchasing Danish goods.

In the sixty years since then Soviet-Danish trade has had its ups and downs. A stabilising factor was the 1970 Agreement on Economic, Scientific and Technical Co-operation. The Agreement provided the groundwork for the Danish-Soviet Intergovernmental Commission on Economic, Industrial and Technical-Scientific Co-operation—a competent and efficient agency.

From that moment on, Soviet-Danish trade links never looked back. Trade between the two countries constituted 44 million roubles in 1970, but by 1975 it had reached 146 million roubles.

The Agreement on promoting economic, industrial and scientific-technical co-operation signed in 1975 gave a fresh impetus to Soviet-Danish trade. It provided for new forms of business relations along with the traditional trade ones.

Since 1976 when this Agreement came into effect, Soviet-Danish trade has been growing rapidly. In 1976 it exceeded 208 million roubles, but by 1982 had reached 363.6 million roubles.

The fact that the two countries' foreign trade interests complement each other, their geographical proximity and links of many years' standing constitute the fertile soil from which—given a reasonable trade policy on both sides—a rich crop of mutual benefits can be reaped.

Soviet export to Denmark came close to 300 million roubles in 1982—a 19.2% increase on the 1981 figure.

Soviet exports to Denmark cover a wide range but consist mostly of fuels, timber, coal, scrap, ammonia and apatite concentrate which are delivered under long-term contracts.

Although machines and equipment remain proportionately small in Soviet exports to Denmark (about 3% in 1982), sales of these goods show a marked upward trend. By 1982, machine and equipment exports reached almost seven million roubles as against 0.7 million roubles in 1970. The Lada car, ranked among Denmark's five most popular models for years, is going strong on the Danish market.

Soviet machine tools, forging and pressworking equipment as well as tractors enjoy a high reputation in Denmark.

To keep up with the growing market demand the two partners promote new forms of trade such as setting up joint-stock companies in Denmark in which

Soviet foreign trade organisations own part of the shares.

The D.F.N. Olje oil and petroleum products trading company was formed in 1976, and the Dana Belarus A/S, dealing in tractors and farm machines, in 1977.

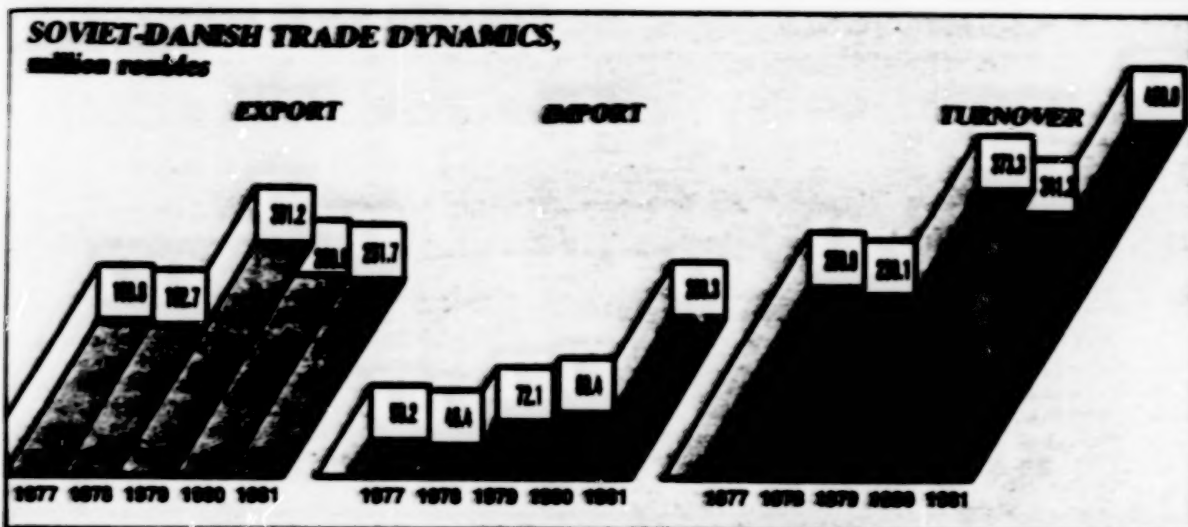
Nonetheless, it should be noted that on the whole Soviet-Danish trade has not reached the level it could.

Although the share of Soviet goods in Danish import is rather large (petroleum and petroleum products, 26%; sawn-goods, 12%; cars, 6%), their total proportion in Denmark's foreign trade turnover constitutes a mere 1.1%. The share of Denmark in Soviet foreign trade turnover is still smaller—0.4%. These figures could be much higher, I feel sure.

The most promising way to boost these figures is by expanding trade in machines and equipment. There is a considerable gap between the export and import of these goods. In 1982, as already indicated, the USSR exported about seven million roubles' worth of machines and equipment to Denmark, while Danish exports to our country amounted to 26 million roubles. An increase in the export of Soviet machines and equipment would certainly enable Soviet foreign trade organisations to increase their purchases of many items of Danish equipment.

Danish machines and equipment have a deservedly high reputation and are consequently of considerable interest to Soviet foreign trade organisations. They could be used in the Soviet food industry, in truck farming and livestock breeding





in accordance with the Food Programme.

The National Exhibition of the USSR, to be held in Copenhagen in October, 1983, will give prospective buyers an idea of the industrial items on our export list.

The Long-Term Programme for the Development of Economic and Industrial Co-operation between the USSR and Denmark, signed in 1978, offers extensive opportunities for the further expansion of trade between the two

countries. Implementation of the basic provisions of this Programme would open up opportunities to begin the switchover from individual deals in Soviet-Danish trade to long-term and wide-scale co-operation—including specialised and joint production.

This co-operation holds great promise, as was pointed out by the 12th Session of the Danish-Soviet Intergovernmental Commission on Economic, Industrial and Technical-Scientific Co-operation (1982) and by the 8th Meeting of the Permanent Working

Group on economic and industrial co-operation.

The two sides pointed, in particular, to the good prospects ahead for co-operation in co-producing hoisting, transport, electrical engineering, fodder mix and whey processing equipment. The recommendations adopted by the Commission and the Working Group, as well as the Long-Term Programme, open up new horizons for Soviet-Danish trade. The present level of Soviet-Danish trade and economic infrastructure augurs well for the future.

#### Further Development Possible

Moscow SOVIET EXPORT in English No 5 (146), Sep-Oct 83 p 37

[Article by Jens M. Barfoed, co-chairman of Danish-Soviet Intergovernmental Commission on Economic, Industrial and Technical-Scientific Cooperation: "Good Possibilities for Further Development of Co-operation"]

[Text]

**T**he Danish-Soviet Intergovernmental Commission on Economic, Industrial and Technical-Scientific Co-operation held its 12th Session April 1982 in Moscow.

At the Session the Commission reviewed the status of co-operation between Danish and Soviet partners. Subjects of co-operation are mainly guided and supported by 5 working groups formed by the Commission: economic and industrial co-operation, co-operation within agriculture, co-operation within environmental protection, co-operation within construction and civil housing, scientific co-operation.

Danish and Soviet partners of co-operation working on a number of projects and subjects identified by the above-mentioned working groups are doing a good and constructive job.

An important part of Danish industry has developed from agriculture. Food industry and agriculture are areas in which Danish

companies have outstanding experience, technology and equipment to offer to Soviet co-operation partners.

Therefore, it was satisfactory for the Danish part of the Commission at the 12th Session to note, that some projects of co-operation within the food industry and agriculture had been concluded.

In the time since the 12th Session of the Commission further projects of co-operation in the food industry have materialized.

I believe that the signing of contracts for these projects of co-operation indicate that good possibilities exist for further development of co-operation within these fields between Danish and Soviet partners.

The trade balance between Denmark and the Soviet Union in the past years shows a considerable Soviet surplus.

The surplus by the USSR accumulated in trade with Denmark during the last 10 years amounts to 11,000 million Danish crowns. This is mostly due to comprehensive Danish

purchases of oil and oil products in the USSR, although also many manufactured products from the USSR such as cars, tractors, etc. found their way to Denmark.

I feel it my duty on this occasion to touch upon the problem of the considerable Soviet accumulated surplus in trade with Denmark, because it is a matter of growing concern in my country.

We do not assume that trade figures should balance from year to year. But we do think that trade figures viewed on a long term basis should indicate a trend towards balance.

I shall be looking forward to coming negotiations in the Danish-Soviet Commission on Co-operation in the hope that new projects shall shortly be identified and contracts concluded between Danish and Soviet partners, and in this way among other things contribute to the further development of co-operation activities between our two countries.

## USSR WORLD TRADE

### NOVOYE VREMYA REVIEWS SOVIET-INDIAN RELATIONS

Moscow APN DAILY REVIEW in English No 250, 23 Dec 83 p 1

[Text] Moscow, December 22. (TASS.) Strengthening the material basis of their relations, the peoples of the Soviet Union and India, who together make up almost 25 percent of the world population, are actively cooperating in their efforts for peace, the weekly NOVOYE VREMYA says in its December 23 issue. Their cooperation is an important component of the present-day international movement of the forces working for peace regardless of their political affiliations, the weekly points out. The progress of these relations both in the political and in the economic field is immune to the ebb and flow of turbulent world politics because they contain elements of that reason and fairness which should become the contents of relations between the two world socio-political systems as a whole, the article says.

In December this year India and the USSR are summing up the results of their cooperation not only in 1983 but during the past 30 years: it was 30 years ago, in 1953, that the first five-year intergovernmental trade agreement was signed, the weekly recalls.

Trade contacts at the time were quite modest: trade turnover was worth about 17 million rupees. In 1983, according to tentative estimates, it will be close to 35,000 million rupees. It has thus grown 2,000 times to the benefit of both sides. Soviet people can buy a range of quality Indian woolen knitwear, clothes, fabrics and many other goods. The proportion of manufactures in the Indian exports to the Soviet Union has now reached 60 per cent, the weekly says.

India for its part buys from the Soviet Union products of heavy industry, non-ferrous metals, paper and fertilizers.

Ashok Jain, President of the Federation of Chambers of Commerce and Industry of India, stressed with satisfaction in a talk with Soviet journalists that the obvious differences between the social, political and systems of the two countries did not prevent them from developing fruitful business contacts, the article says in conclusion. [NOVOYE VREMYA No 52. Summary. Translated by TASS]

CSO: 1812/61

REVIEW OF JOURNAL VNESHNYAYA TORGOVLYA NO 12, DEC 83

Moscow APN DAILY REVIEW in English No 252, 27 Dec 83 pp 1-4

[Text] The issue opens with an article, "Twenty Years of the International Bank for Economic Cooperation (IBEC)", by K. Nazarkin. January 1984 marks twenty years of the IBEC's operation. Established by the governments of CMEA member-countries, the IBEC discharges functions connected with credit and settlement operations stemming from the agreement the countries concerned signed on October 24, 1963 as regards the multilateral settlement of their accounts in transferable roubles. The IBEC operates on the basis of the principles of full equality of its member-countries and respect for their sovereignty, genuine democratic principles typical of fraternal cooperation among socialist countries. In its relations with the IBEC, no member-country has any special rights or privileges vis-a-vis the rest of membership. The IBEC's administrative agencies and staff are formed of representatives from all participating countries. In examining and setting questions relating to IBEC activities, all member-countries have equal rights, irrespective of the size of their contribution to the IBEC's capital. It is a very important democratic feature of the IBEC which distinguishes it from capitalist banking institutions in the West, where the greater proportion of a country's contribution to the capital of a bank gives it advantages at the expense of other participating nations.

Under its statute, the IBEC promotes the strengthening of economic cooperation among its member-countries, the growth of their economies and the development of their trade and economic links with other states.

As the CMEA countries' centre of credit and settlement operations, the IBEC has carried out a great deal of work. K. Nazarkin says that settlements among IBEC member-countries, connected with their mutual trade and other forms of economic cooperation, were growing dynamically from year to year. Whereas in 1964, when the IBEC began to work, settlements among its member-countries constituted 22.9 billion transferable roubles, in 1983 they amounted to 180 billion transferable roubles, having increased by almost eight times. The sum-total of settlements, effected by member-countries via the IBEC's 20 years, exceeds 1.4 trillion transferable roubles.

The comprehensive programme for the further deepening and perfection of cooperation among CMEA member-countries and the development of their



socialist economic integration envisages a wide range of measures to improve currency, financial and credit relations among member-countries.

The independent character of the collective socialist currency, the transferable rouble, helps solve many issues relating to current and long-term economic cooperation among CMEA countries, and protects their mutual economic contacts from being exposed to the direct impact of inflation which is growing in the West and from upheavals on the capitalist currency market. The crisis of the Western monetary system underscores the advantages of the international socialist currency system.

The International Bank for Economic Cooperation is to do much to develop and further improve currency and financial relations that connect its member-countries, K. Nazarkin writes in conclusion. The growing economic possibilities of the IBEC member-countries and their broad international economic links are conducive to the further progress of the IBEC's activities.

The issue carries the texts of the Agreement on Multilateral Settlements in Transferable Roubles and the Organisation of an International Bank for Economic Cooperation and the IBEC Statute.

"New Forms of CMEA Countries' Economic Ties with Developing States" is the headline of an article by A. Vlasov.

In the past 25 years the CMEA countries' cooperation with the developing nations has been growing in different forms. Along with traditional forms (trade, assistance in the construction of industrial, irrigation and other projects and in geological prospecting, government and commercial credits, manpower training, the transfer of know-how and technology) the 1970s saw the growing emphasis on production cooperation and multilateral economic cooperation in general.

The emergency of the new forms of economic links between these two groups of states is due above all, to the growth of their economic possibilities and their mutual desire to raise the efficiency of economic cooperation. A new form of the international division of labour, cooperation of production, is becoming a major factor behind the fast growth of trade between the CMEA countries and the developing nations, making this commerce less vulnerable to speculative changes in the situation on the world market.

The following are the most widespread forms of production cooperation between these two groups of countries: co-production, contract-based cooperation schemes, and the construction of joint enterprises. Long-term agreements (programmes) on economic, scientific and technical cooperation can effectively promote the organisation of cooperation in different sectors of production.

Fairly widespread is cooperation on a buy-back basis, the author writes. Under such schemes, socialist countries receive, on a long-term basis, a coordinated proportion of the output of enterprises built with their assistance in developing countries. Thanks to buy-back arrangements, developing

states can pay for the assistance received with their exports and thus save foreign exchange of which they are short.

Multilateral contacts between CMEA countries and developing nations are a relatively new phenomenon in the field of economic cooperation among them. The involvement of several socialist countries in the construction of projects in developing states is the most popular form of multilateral cooperation.

Commercial and economic cooperation is an important element of today's mechanism of international relations, A. Vlasov writes. Based on the principles of equality and mutual benefit, this cooperation facilitates the economic progress of emergent countries, and helps strengthen their positions on the world market, lessen their dependence on the former mother-countries, effect sovereignty over their natural resources and implement their right to choose the way of social development. By developing deeper economic links with countries in Asia, Africa and Latin America, CMEA states thus fuller use the advantages of the international division of labour for boosting the efficiency of production.

Saying that the results of economic cooperation between the CMEA countries and the developing states, are positive, on the whole, A. Vlasov points out that the level of industrial cooperation between them is today below their possibilities. This is due to a number of objective factors. Thus, these two groups of countries established trade relations relatively not so long ago. The level of development of productive forces is yet inadequate in a number of countries of Asia, Africa and Latin America. The political and economic situation in some newly-free countries is unstable, and a number of their economic sectors are dominated by transnational corporations.

The journal also published statistics relating to Soviet foreign trade in January-September 1983, the article "State, Trends and Prospects of the World Capitalist Trade in Complete Plant", by V. Krestov, book reviews, bibliography, and other material. (APN)

CSO: 1812/61

SOCIAL POLICY ISSUES IN THE EUROPEAN CEMA STATES

Moscow PLANOVOYE KHOZYAYSTVO in Russian No 6, Jun 83 pp 108-113

[Article by G. Yaremenko, candidate of economic sciences:  
"Questions of Social Policy in the European CEMA States\*]

[Text] The materials of recent congresses of communist and workers parties in the CEMA countries reflect the significance of social policy in the resolution of the long-term tasks of socialist and communist construction. The measures which they set out are aimed at strengthening the level of workers' labor and civil activities and at higher production effectiveness.

In the 70's the CEMA countries carried out comprehensive social programs, which included measures to raise the level of wages for many categories of workers, especially for the low-wage groups; to make large increases in pensions and to equalize pension provision conditions for various strata of the population unable to work; to expand the system for assisting families with children; to develop the production of consumer goods and to improve the balance between the population's effective demand and the volume of goods supplied on the domestic market. In these programs considerable attention was given to expanding the scale of residential construction.

The achievement of a number of urgent social targets in these years has made it possible to continue in the current five-year plan the policy of making economic growth more subordinate to the goals of increasing the people's welfare, as well as to

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\*The purpose of this article is to show the means and methods by which the social policy of the European CEMA states is implemented, proceeding from their specific historical features. The author does not set himself the task of evaluating the measures which are being taken in these countries. Nor does the article touch on similar questions which are being resolved in the USSR (the appropriate material is published periodically on the pages of this journal).

concentrate attention on qualitative aspects of growth in the people's welfare. And accordingly it was necessary to determine priorities in the utilization of monetary means, and to single out those spheres in which an appreciable improvement had to be carried out first. The discussion concerns, for example, the proportions in the distribution of means among the wage fund and the social consumption funds (and within the latter, between appropriations for free services and monetary payments under social programs), and the means which are allotted to maintain the balance between commodity funds and the population's effective demand, as well as to provide for housing construction.

A selective approach to the development of individual directions in social policy, an approach which is typical of the ideas about the socio-economic development of the CEMA countries in the current five-year plan, is developed with consideration for national features and the level of economic achievements. In such countries as Hungary and Czechoslovakia, the main task in the area of the population's welfare is to maintain and strengthen a high standard of living.<sup>1</sup> The goal of this approach, the MSZMP [Hungarian Socialist Workers Party] emphasized at its 12th Congress, is to preserve the results which have been achieved and to create the conditions for further improvement. In the directives of the 16th CPCZ [Communist Party of Czechoslovakia] Congress concerning directions for development in 1981-1985, the main goal of party policy is formulated in the following way: to preserve and improve--under far more difficult external and internal conditions--the population's high standard of living and to strengthen their social confidence.<sup>2</sup>

The general growth of the population's real incomes in Hungary and the CSSR during the current five-year plan is to come mainly from increases in the social consumption funds. Stabilization in the level of real wages is stipulated. A 6-7 percent increase in real incomes is planned.

During this period other CEMA countries are emphasizing faster growth in the quantitative parameters of the standard of living. In Bulgaria a 15 percent growth rate for per capita real income is planned, in the GDR a 20 percent rate (for net monetary incomes) is planned, and in Rumania a 19 percent rate is planned. At the same time there remains an important qualitative aspect of welfare improvement. For example, congresses of communist and workers parties have emphasized the need to provide an appropriate supply of goods and services for the population. At the 10th SEPG [Socialist United Party of Germany] Congress, an increase in the production of higher-quality consumer goods was recognized as a very important direction in the party's economic strategy for the 80's.<sup>3</sup> At the 12th Bulgarian Communist Party Congress growth in the production of consumer goods, as well as

improvements in their quality and a higher level of services were declared to be a first rank economic, social and political task.<sup>4</sup>

One aspect of social policy in the European CEMA countries at the present stage lies in its aim of increasing workers' labor energy by improving the system of remuneration. We have in mind first of all the establishment of a direct link between wages and the results (quantitative and qualitative) of the labor of individual workers and collectives, in order to make the level of a worker's well-being more and more directly determined by his contribution to the development of production. The decisions of the 12th MSZMP Congress emphasize that the means allotted in the state plan for 1981-1985 to improve living conditions must be used in such a way that they stimulate production and make it possible to satisfy the most important social needs. The consistent implementation of the principle of distribution according to one's labor should contribute to this. As the experience of the GDR shows, a high labor yield and conscientiously performed work result not only from moral satisfaction but also to a significant degree from increased pay.

In the materials of the 16th CPCZ Congress, the need to increase the rewards for good labor results is viewed as a basic principle of personal material interest. At the same time, it is emphasized that poor work must also be reflected in one's wages. For this reason a wider range of wages, depending on results, is proposed.

The 6th Five-Year Plan for the Development of the Hungarian People's Republic (1981-1985) emphasizes that differences in wages must be determined primarily within certain types of activities. It stipulates that the existing inter-sector differences in wages must be overcome: the wages in those sectors where pay is lower (the non-production sphere, agriculture, trade, housing and public services) must be brought up to the average level in the national economy.

A number of CEMA countries have already created the conditions for increasing the wages of workers who fulfill the planned volume of work with an absolute savings of human labor. The decisions of the 16th CPCZ Congress call for organizations in the CSSR to be granted the opportunity to establish wages for their employees if those organizations take the responsibility for achieving higher labor productivity, and especially an absolute savings of manpower. In this regard, industry and construction in the Hungarian People's Republic have acquired useful experience. However, its dissemination requires not only the introduction of new forms of labor organization and payment, under which fulfillment of a job by a numerically smaller collective makes it possible to increase accordingly the wages of each member, but also the availability of stocks of consumer



goods and the opportunity for society to appropriate additional consumption resources.

The assimilation of advanced labor methods which are grounded in the needs of production development and improvement in economic management (for example, the Shchekino experiment or the brigade contract in construction) is linked to wage increases for highly productive workers and, consequently--given the maintenance of employment (as the manpower saved at one production sector is brought into production at another)--to growth in the economy's wage fund. This also requires a sufficiently high level of development in the consumer goods production sphere, as well as balance between effective demand and the volume of consumption resources which are supplied.

To a certain degree, the level of labor activity is also related to economic development. In countries which have a relatively lower standard of living, this activity can be produced by a high rate of growth in wages. At the same time, in countries which have a relatively high level of wages the potential incentives for labor activity also exist under conditions of slower growth in wages. Further, two factors are acquiring a growing role as incentives: 1) improvements in the wage system achieved through leveling out the inter-sector differences and strengthening the differences within sectors and 2) opportunities for fuller realization of the population's purchasing capacity based on diverse ways of supplementing the consumer market with goods and services in accordance with the structure of demand.

At the present time, when resources allotted in a centralized manner for the improvement of wages are limited, a number of CEMA countries, specifically Hungary and Bulgaria, ascribe a definite significance to the expansion of income sources which result from supplementary labor in the sphere of small-scale production and services which people engage in during non-work hours. In Hungary, for example, more than 70 percent of families have these supplementary earnings. Because consumer goods and non-production services for the public are the result of activities in this sphere, the necessary conditions are created at the same time for the material payment of the supplementary incomes and for the expansion of the supply of consumer goods and services in accordance with changing demand.

At the 12th MSZMP Congress, this "secondary" employment was viewed as a supplementary source of economic development, which contributes to the more flexible satisfaction of growing and rapidly-changing demands and to the multiplication of national wealth.<sup>5</sup> At the same time it was emphasized that the economic and legal conditions of this activity should be regulated in

accordance with society's interests, while preserving control on the part of socialist enterprises.<sup>6</sup>

The development of the social consumption funds remains an important direction in the social policy of the European CEMA countries during the current five-year plan. An accelerated rate of growth in income for social purposes is being retained (per capita payments from the social consumption funds are scheduled to increase by approximately 25 percent in the GDR, by more than 17 percent in Bulgaria, and by approximately 13 percent in Hungary and the CSSR), although the degree to which these figures exceed those for the 70's has been reduced in a majority of the CEMA countries. At the same time, in those countries which are planning on growth in nominal earnings, with real earnings scheduled to remain almost unchanged (and this applies mainly to Hungary and Czechoslovakia), the main role in the growth of real incomes is played by the increase in social payments and free services.

In the 70's the extremely high rate of growth in the social consumption funds resulted from the significant sum of appropriations for the implementation of measures to improve social welfare provisions and to develop an active demographic policy. The most extensive measures to improve pensions and expand the system of payments for children in order to increase assistance to young families and improve the demographic situation were carried out during the years 1971-1975, when the social consumption funds increased by approximately 9 percent (in constant prices) in Hungary, by 8 percent in Bulgaria and Rumania, by 7.6 percent (in constant prices) in Poland, by more than 7 percent in the GDR and by approximately 6 percent in Czechoslovakia. In the 1976-1980 period, the average annual rate of increase in this indicator was at the level of 4-5 percent in a majority of CEMA countries, and 7 percent in the GDR. Supplementary expenditures for social insurance programs were somewhat reduced because in the previous five-year plan there had been a substantial increase in the number of those people receiving social subsidies and the the norms for the respective payments, and accordingly the total volume of appropriations for social purposes increased, but such major increments cannot be repeated in a relatively short time interval.

In the current five-year plan it has become necessary to choose the ways to utilize appropriations for new measures in the area of social policy, in order to prevent them from being spread too thinly over all types of expenditures. The basic directions for the development of the national economies in 1981-1985, which were approved by the party congresses, clearly follow a policy of concentrating the means of the social consumption funds on specific, top-priority measures, while appropriations for the others are stabilized. This kind of orientation is justified when



a generally high level of social incomes has been achieved, as, for example, in Hungary, the GDR and Czechoslovakia. At the same time this makes it possible to utilize at the current stage of development the allotted resources with greater effectiveness for the population's most urgent needs. For example, in the current five-year plan the CSSR is putting the emphasis on further improvements in pension provisions, which are prompted by changes in the cost of living and wage increases, as well as on assistance to families with children. At the same time a policy has been adopted of maintaining the volume of free services that has been achieved, without permitting the expansion of these services. Further, demands for quality in the services offered are increasing, as are demands for the more efficient utilization of the appropriated means and labor resources. Attention is being directed to the need for enterprises to make increased contributions to the development of capacities for social institutions.

Similar trends are typical of the current five-year plan in Bulgaria, where assistance to the population not able to work (the implementation of pensions in accordance with changes in the active population's income and support for the coming generation) is the focus of attention. The 12th Bulgarian Communist Party Congress emphasized the need to link social assistance with work quality and labor services; this results from the decline in the growth rate for the social consumption funds, which should increase only at the rate of growth in national income. The purpose of this approach is to stimulate the level of labor activity and to neutralize a "consumer's" attitude toward enterprises' social funds. At the same time social assistance to the members of a worker's family who are not able to work (especially for children, who are cared for in children's institutions and given passes for vacation trips and other benefits) should not be linked to their parents' situation in the production unit because the health and upbringing of the coming generation constitute a higher social goal than the provision of incentives for those employed at an enterprise. In the area of improvements in Bulgaria's system for the distribution of free benefits and services, the clear delimitation between the rights and obligations possessed by the local and central organs of power is of great significance. The opportunities of the local organs are expanding because they are permitted to attract means from enterprise funds for the resolution of general social and cultural problems.

Hungary, too, is devoting a great deal of attention to the improvement of social welfare provisions. Further, the purposefulness with which resources are utilized is expressed in the fact that pensions will grow only as much as the cost of living, while low pensions will be increased at an accelerated rate. Subsidies for children will also be increased but in such

a way that the purchasing power of families which receive them will not be reduced, given changes in prices. The subsidy given for a third child, which is intended to stimulate the birthrate, is to be increased by an amount which more than compensates for price increases.

As the experience of individual CEMA countries shows, the choice of goals and priorities for the utilization of the means in the social consumption funds in 1981-1985 is not identical. In some countries preference is being given to the growth of monetary payments for the population which is unable to work, and in others the problem of developing the material base of the sectors in the social infrastructure is being resolved. This especially concerns health care and education, which lack the modern equipment required by the current stage of economic construction (specifically in small towns and rural localities), and which also have lower salary levels in comparison with the material production sectors. For example, Hungary previously experienced rapid growth in monetary payments made out of the social funds. In the current five-year plan priority is being given to the sphere of free services; this is related to the lag noted in a number of sectors of this sphere and to the need to regroup resources in their favor. A program for the development of the country's health care system stipulates a significant expansion in the number of beds and improved equipment at hospitals. The resources appropriated for the development of the health care and social insurance system will be 50 percent greater than in the previous five-year plan. Important measures are being taken as well in the education sphere, which is also being allotted resources which are 50 percent greater than in the previous five-year plan, as a result of the need to strengthen its material base and the significant increase in the number of pupils, which stems from the current demographic conditions.

However, the limited availability of funds appropriated for new measures in the social consumption sphere in the current five-year plan and for the five-year period up to 1990 will make it difficult to resolve the tasks in the improvement of the free-services sphere, as well as to implement the adjustments--stipulated by the plans--in the level of social provisions for the population not able to work (corrections necessitated by changes in the level of prices and the subsequent adjustment of earnings). For this reason the attempt to achieve efficiency and more effective utilization of the social consumption funds determines the need to remove a number of benefits, which have exhausted their original purpose or which violate the principle of distributional proportionality with regard to high- and low-income families. We have in mind, first of all, the free and partially subsidized vacation passes and grants for the state housing fund's operational expenditures which are not covered by

rent. As statistical research shows (in Hungary, for example), it is the families with high income levels who receive more of the vacation passes and rent subsidies, and it is for this reason that the European CEMA countries have stipulated that these benefits are to be granted in a differentiated manner, with the population having the lowest level of income per family member receiving the largest share.

An improvement in the supplies for consumers and the maintenance of balance between the effective demand and the supply of goods and services is seen as one of the central tasks of the plans for the socio-economic development of the European CEMA countries in the current five-year plan. Unless this problem is resolved, it is impossible to implement the principle of material interest in incomes and, consequently, to increase the productivity and effectiveness of labor.

In the 70's, a number of the CEMA countries experienced substantial improvements in the level of material provisions for the population's income. For example, at the 12th MSZMP Congress it was stated that the supply of goods for the population is for the most part balanced.<sup>7</sup> Successes in the development and enrichment of the domestic market were also noted at the 16th CPCZ Congress.<sup>8</sup> In the current five-year plan the structural balance of incomes must be achieved because the existence of overall balance between the volume of effective demand and the commodity funds notwithstanding, the 16th CPCZ Congress noted that the proposed range and quality of goods has not fully satisfied consumers' demand.<sup>9</sup>

In some CEMA countries, the lack of growth in the consumption resources in the last five-year plan resulted in a situation in which the volume of effective demand outstripped growth in the volume of commodities available. In 1976-1980, the fulfillment of the plans for the production of output in light industry and the food industry, as well as agricultural output, were accompanied by certain difficulties. It is possible to maintain total balance between monetary incomes and the material provisions to cover them (i.e., goods and services) in various ways: by limiting growth of the first, by increasing the supply of goods and services (and specifically services which must be paid for) and by changing consumer prices and tariffs. However, the basic direction in the work of overcoming the imbalance between purchasers' means and the domestic market's supply remains the expanded production of consumer goods and services, along with substantial improvement in their quality. Proceeding from this, the rate of growth in commodity funds and services in the current five-year plan will outstrip the rate of growth in the population's incomes. Retail commodity turnover in Bulgaria and the GDR should grow by more than 20 percent.

In Hungary, the GDR and Czechoslovakia the task of providing the population with agricultural output is being resolved satisfactorily mainly through domestic production. In other CEMA countries the market for foodstuffs is less stable, although its capacity makes it possible to seek out export resources (in Bulgaria and Rumania, for example).

The GDR has many years of experience in the operation of small cottage (cooperative and private) enterprises, which supplement large-scale production in supplying everyday goods and services. The state supports them, supplying them with the means of production and materials, and it provides instruction for young specialists. The 10th SED Congress emphasized that there was justification for measures to assist private retail trade and the owners of cafes and restaurants, as well as citizens who sell goods on a commission basis.<sup>10</sup>

With the slowing down of the growth rate for real incomes, the significance of a flexible retail price policy grows. In providing for balance between the effective demand and supply price changes play a subordinate role to the expansion of consumer goods production. Price maneuvering is aimed mainly at the achievement of a structural correspondence between supply and demand.

In recent years a majority of the CEMA countries have made adjustments in their retail price systems in order to reduce budget subsidies. In Bulgaria, they were raised at the same time that adjustments were made in wage levels and social incomes. The 1976 and 1979 price adjustments in Hungary were also accompanied by correspondening compensation for all types of incomes. In the current five-year plan (in 1982) food prices were increased in Rumania, Hungary and the CSSR. Adjustments were made to compensate for the reduction in the level of the purchasing power of pensions and child allowances, and of earnings less than 4,000 leus (in Rumania) .

The price adjustments will be continued. In Hungary, the 1983 plan stipulates a new increase in prices amounting to 7 percent. The materials of the 12th MSZMP Congress point out that subsidies for retail prices should be gradually reduced, and they should be retained only for certain items and services and in amounts which are based on social policy. The materials of the 16th CPCZ Congress say that prices must be strictly controlled by the state on the basis of social-policy goals. The 10th SED Congress called for price stabilization and budget subsidies for approximately 80 percent of goods.

The inadequate growth in the physical volume of supply increases the range of more expensive goods in comparison with cheaper ones. For this reason the plan documents of the CEMA countries



emphasize the importance of satisfying the population's demand regardless of the level of incomes. For example, the decisions of the 12th MSZMP Congress emphasize the importance of ensuring that cheap consumer goods are also available. The materials of the 16th CPCZ Congress establish the responsibility of production and trade officials for the availability of goods to sell at prices which are in line with consumers' demand. The 10th SED Congress noted that the state organs have been entrusted with the job of ensuring that the population has a steady supply of consumer goods at various cost levels in line with demand.

In the CEMA countries, attracting people's monetary means into housing construction has become an important direction in the work of increasing the satisfaction of people's needs. This policy, which was adopted more than 10 years ago, has justified itself, and the materials of recent congresses set out an orientation toward its continuation. The system of subsidies and benefits, which is linked to the income levels of various strata of the population, makes it possible to create a form for the acquisition of living space which involves the investment of personal resources, a system which operates on a mass basis and is accessible to all social groups. This direction in effective demand, as the experience of the CEMA countries testifies, makes it possible to more fully link the already accumulated effective demand and the future one.

In accordance with the measures set out by the 12th Bulgarian Communist Party Congress, the proportion of means coming from enterprises and from the population for housing construction will be increased. With the aim of efficiently distributing and stabilizing manpower, the CSSR has stipulated, as the decisions of the 16th CPCZ Congress state, the expansion of housing construction through the use of workers' resources, with the workers receiving assistance from the resources of enterprises. From now on the latter will be spent to support individuals building their own homes and members of housing-construction cooperatives, rather than for "departmental" housing construction.

According to the 1981-1985 plans, Hungary will see an increase in the proportion of apartments built with resources attracted from the population; they will constitute approximately 70 percent of the volume of new construction (255,000-270,000 of the 370,000-390,000 apartments planned). In the GDR the plan specifies that housing-construction cooperatives should account for 40-42 percent of the volume of construction to be carried out by industrial methods. In addition, individuals building their own homes will account for 10 percent of the volume of new housing construction.

The CEMA countries are devoting more and more attention to the development of dacha and garden cooperatives, and to the

allocation of lands for amateur gardeners and amateur farmers who raise animals. Measures of this kind are stipulated in the decisions of the 16th CPCZ Congress. The 10th SED Congress noted the positive results of the efforts of the more than 1 million members of the GDR Union of Gardeners and Amateur Animal Breeders. Measures were set out to further support activities of this kind, which contribute to the spending of readily available monetary means for economic acquisition and the efficient utilization of free time, as well as to the increasing of food resources to meet people's own needs and to sell to the state if there is a surplus.

An important aspect of social policy concerns the work to increase the supply of domestic-cultural items for long-term use and of personal means of transportation. In the last decade the supply of television sets for the population in the CEMA countries grew 1.5-2-fold, the supply of refrigerators grew 2-3-fold, and the supply of passenger vehicles grew 2.5-5-fold.

The realization of social needs in the consumption sphere and consideration for the requirements of the socialist model of consumption require the purposeful development of supplies for the domestic market and a primary orientation toward the basic mass of the working population, which consists of consumers with average income levels. At the present level of basic-needs satisfaction, this segment of the population possesses substantial disposable income. For this reason it is important to expand the supply of those goods and services which are in line with the needs of the broad mass of workers and which create the incentives, as the 12th SED Congress emphasized, for more productive and conscientious labor. These can be durable, standard-quality goods of average cost. A range of goods, which is differentiated in terms of consumer qualities and price, must fully meet the socialist principle of distribution.

It is obvious that future ways to satisfy mass needs will be related to the development of various forms of recreation, leisure activities, and to the expansion of opportunities to utilize free time. However, these aspects of social policy require careful background work.

#### FOOTNOTES

1. "XII s"yezd Vengerskoy sotsialisticheskoy rabochey partii" [The 12th Congress of the Hungarian Socialist Workers Party], Moscow, Politizdat, 1981, p 11.
2. "XVI s"yezd Kommunisticheskoy partii Chekhoslovakii" [The 16th Congress of the Communist Party of Czechoslovakia], Moscow, Politizdat, 1982, p 173.

3. "X s"yezd Sotsialisticheskoy yedinoy partii Germanii" [The 12th Congress of the Socialist United Party of Germany], Moscow, Politizdat, 1982, p 59-60.
4. "XII s"yezd Bolgarskoy kommunisticheskoy partii" [The 12th Congress of the Bulgarian Communist Party], Moscow, Politizdat, 1982, p 25.
5. See "XII s"yezd VSRP" op. cit., p 204.
6. Ibid.
7. Ibid., p 111.
8. See "XVI s"yezd KPCh" op cit., p 17.
9. Ibid., p 107.
10. See "X s"yezd Sotsialisticheskoy yedinoy partii Germanii" op cit., p 46.

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ECONOMIC INCOMPATIBILITY OF CEMA COUNTRIES REFUTED

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[Article by Candidate of Economic Sciences Oleg B. Labetskiy and Candidate of Historical Sciences Aleksandr M. Rybakov, scientific associate of the Institute of Economics of the World Socialist System of the USSR Academy of Sciences: "Socialist Economic Integration (Against Bourgeois Falsifications)"]

[Text] The questions of the theory and practice of socialist economic integration are attracting greater and greater attention of western "Sovietologists" and "specialists on the East European countries." The reasons for such attention are obvious. The quite valid fear that the accomplishment of the tasks of the long-term program of integration will make it possible to strengthen significantly not only the economic positions, but also the political and ideological unity of the socialist countries and to increase their common defensive potential, the prestige and influence of the community on the international arena, is appearing among bourgeois ideologists.

For all the differences and nuances in the content of bourgeois interpretations of the economic integration of the CEMA countries, the falsification of the basic principles of integration is the decisive trait of these interpretations. Below we will attempt to examine critically the most characteristic trends of such falsification and the conceptions which correspond to them.

The aspiration to distort the natural process of the implementation of the principles of socialist internationalism in the course of the accomplishment of integration finds reflection in bourgeois criticism of the Council for Mutual Economic Assistance. The strategic goal of this criticism consists in the undermining of the cooperation and the weakening of the unity of the CEMA countries. However, the aspects of the criticism are gradually changing. Three factors, in our opinion, explain this phenomenon. First, the consistent implementation of the Comprehensive Program of Integration, which bourgeois

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ideologists are forced to admit; second, the increase of the role of the socialist community in the world; third, the increase of the interests of the participants in European capitalist integration and a portion of the business circles of the United States in the broadening of economic relations with the CEMA countries.

The evolution of the main conception--"the artificial coercive nature of CEMA"--gives an idea of the changes in the bourgeois criticism of CEMA. Before the early 1970's in this conception the basic emphasis was placed on the interpretation of CEMA as a Soviet invention for the purpose of the complete subordination of the European countries of the socialist community. The activity of the USSR within CEMA was called nothing other than "economic imperialism" with respect to the countries which ostensibly did not gain anything after having joined this organization.

The history of the formation of the socialist states refutes the tendentious interpretations which distort the nature of CEMA. Its founding in 1949 was a vital necessity for the socialist states of Central and Southeastern Europe, which found themselves in an economic blockade which has been organized by imperialism. CEMA contributed to the strengthening of the socialist economy and the carrying out of industrialization. The Soviet Union, in performing its international duty, gave vast economic and technical assistance to these countries. The establishment of close cooperation between the USSR and the people's democracies played an exceptionally important role in the struggle against the interference of imperialism in their domestic affairs and in the overcoming of its attempts to organize the international isolation of the socialist countries. Without such cooperation it would have been impossible in a short time to raise from the ruins the war-ravaged economy and to create anew in the CEMA countries the sectors which constitute the basis of modern industrial development.

In the early 1970's bourgeois researchers, who were forced to take into consideration the fact of the viability of CEMA, modified the conception, placing the emphasis on the willingness of the socialist countries to remain in CEMA, having changed only a few forms of participation in it. The line of argument of this thesis is based on the premise that a shift, which marks the weakening of the "hard line" of the Soviet Union, which in face of the threat of the collapse of CEMA after the Czechoslovak crisis of 1968 was as if forced to agree to concessions, had ostensibly occurred in the activity of CEMA. The "Sovietologists" regarded the adoption of the Comprehensive Program of Socialist Economic Integration as one of them. The program was depicted as an incidental, business document, as some tactical maneuver, which there could not have been.

In reality this is first of all a voluntarily and deliberately adopted document, which specifies the joint goals of the long-term economic policy of the fraternal countries. The agreement of the CEMA members when drawing it up was dictated not by market considerations, but by the objective necessity of integration as a qualitatively new stage of cooperation, which involves the development and implementation of the principles of socialist internationalism. Not by chance do a number of western specialists recognize the great importance of the Comprehensive Program for "the further economic and political unification of the countries of Eastern Europe"<sup>1</sup> and emphasize the fundamental role of its "unifying function."<sup>2</sup>

In recent years in the West along with other problems the degree of openness of CEMA and the economic community of the countries forming it has been carefully studied. Here the principles of socialist internationalism are depicted as a factor which ostensibly promotes the "closedness" of the organization.

But, first, it is quite obvious that the coincidence of the fundamental interests in the area of the socioeconomic and sociopolitical development of the CEMA countries and other socialist states makes entirely realistic the prospect of the joining of the latter in integration, as happened with Cuba and the SRV. The effect of such a trend was also confirmed in the cooperation between CEMA and Yugoslavia on the basis of an agreement, as well as in the participation of representatives of Laos and the DPRK in the work of several CEMA organs as observers. Second, socialist integration, by promoting the economic growth of the participating states, thereby increases the possibilities for the development of the economic relations of the CEMA countries both with other socialist states and with capitalist and developing states. As an open international organization, but by no means of an autarkic type, CEMA has concluded agreements on cooperation with Finland, Iraq and Mexico and maintains contacts with 61 international economic, scientific and technical organizations.

Bourgeois critics, in rejecting or distorting the principles of socialist internationalism in the relations of the CEMA countries, when examining the problem of interests base themselves on the premise that economic integration is ostensibly not capable of ensuring the genuine combination of the national interests of the individual CEMA countries and the common interests of the community.

However, precisely "the principle of the combination of national and international interests is the basic motive force of the development of the socialist integration of the CEMA member countries."<sup>3</sup> The opposition of the national to the international in socialist economic integration reflects the inability of its critics to see the dialectics of the combination of the national and international interests of the socialist countries, which consists in the fact that the basic national interests are realized on the basis of the common interests of the community. Since the strengthening of the economic and political might of the world socialist system, including the CEMA countries, is a necessary condition of the successful building of socialism and communism in each country by virtue of the coincidence of their fundamental interests, the need for the strengthening of this might is included as a component in the content of the international interest. At the same time in the specific forms of cooperation the international need for the strengthening of the world socialist system and for closer economic and political convergence is reflected through the prism of national needs. This signifies that, on the one hand, the joint integration measures of the participating countries should not be at variance with the interests of any of them and, on the other, that each country realizes its foreign economic needs with allowance made for the interests of the strengthening of the community as a whole. Such a principle makes it possible, contrary to the claims of bourgeois economists, to elaborate a common policy in case of the partial, temporary noncoincidence of specific national interests with the international interests of the community.

The statements about the incompatibility of the economic interests of the CEMA countries reflect the aspiration of bourgeois authors to distort the content and results of the effect of the general democratic principle of reciprocity, which is consistently implemented in the international practice of the socialist states. This principle, along with the qualitatively new principles--the principles of socialist internationalism--within the world socialist system serves new goals and tasks,<sup>4</sup> while bourgeois researchers imagine it only in the purely commercial sense.

The principle of reciprocity, which is connected with another most important principle of socialist internationalism--mutual assistance--does not deny the similarity of the international economic interests of the CEMA countries, but, on the contrary, takes it as a necessary condition of socialist integration. Not the one-sided pursuit of advantages, but the obtaining of truly "equal advantage from the international specialization and cooperation of production by all the participants--such is the approach of the socialist states to the problem of the economic effectiveness of cooperation."<sup>5</sup>

The indisputability of this fundamentally important assumption is also confirmed by the consideration that at the present stage of integration the socialist international division of labor "to an increasing degree is becoming a dominant factor with respect to the national division of labor."<sup>6</sup> The decisive importance of international interests is governed by the uniqueness of the present stage of the cooperation of the countries of the socialist community, when without the further uniting of their efforts, without the broadening and intensification of economic integration the solution of many most important problems of domestic development becomes extremely difficult or simply impossible. The socialist countries are interested in the extension of mutual cooperation, since it helps them to solve the fundamental national problems, for example, of industrial development, the meeting of the needs of the national economy for fuel, raw materials, modern equipment and so forth. The dialectics of the general and the particular in the national state interests, the more and more complete unity of which in the historical future should lead to merging in the common international interest, is traced most clearly precisely in the sphere of the economic relations of the socialist countries.

When declaring the impossibility of the coordination of the national state interests of the CEMA countries, bourgeois ideologists usually cite the differences in the levels of their economic development. Meanwhile the gradual solution of the complex, multilevel problem of the elimination of these differences should be grouped with the most striking examples of the implementation of the principles of socialist internationalism in practice.

Studies confirm the gradual convergence of the economic levels of the CEMA states. Whereas at the time of the founding of the council the ratio between the highest and lowest levels of per capita national income in the European socialist countries came to 3.2:1, while that of industrial output came to 5:1, by now the gaps have been reduced accordingly to 1.4:1 and 1.7:1.<sup>7</sup> The denial of the objectivity of this process and the role in it of the cooperation of the fraternal countries is a very characteristic common trait of the bourgeois criticism of socialist internationalism. The history of the cooperation of the socialist countries convincingly demonstrates that the very



possibility of equalization arose in the system of interstate relations of the new type, with the establishment of socialist production relations. Only their domination makes possible in principle the solution of this problem.

The arguments that the equalization of levels should precede integration, are also untenable. Such a point of view would make sense, if cooperation and integration were advantageous to only one party. However, practical experience attests to the mutual advantage of the international socialist division of labor and integration for both the highly developed and the relatively less developed partners.

Bourgeois economists are willing to admit a certain decrease of the gap in the levels of economic development of the CEMA countries.<sup>8</sup> However, the "reorientation" of the economic development of the CEMA countries toward the industrially developed countries of the Common Market, in their opinion, should be an indispensable condition of the further accomplishment of this process.<sup>9</sup>

Here bourgeois authors are confusing two qualitatively different concepts--the broadening of economic relations and reorientation. It is quite obvious that reorientation, as it is understood in the West (that is, the one-sided orientation of the socialist country toward capitalist partners), would be at variance with the idea of integration, which, if one bears in mind its very essence, is "the deliberately organized process of the closer and closer and more and more fundamental connection of a group of countries of the same type, their independent economic and political structures, which leads in the future to the formation of a unified socioeconomic organism."<sup>10</sup> That the reorientation of an individual socialist country toward the West, which is accompanied by the curtailment of participation in the international socialist division of labor, does harm to its economic and political development, does not raise doubt. At the same time the mutually advantageous broadening of the economic relations and scientific and technical contacts of the socialist countries with the capitalist states or their economic groups is of great importance. In the process of integration the CEMA countries, without deviating in the least from the principles of socialist internationalism--the all-round cooperation and mutual assistance of the fraternal countries--obtain the opportunity to use more effectively the advantages which the world division of labor provides. Therefore the increase of trade between the countries, which belong to different social systems, is quite natural.

The disciples of the bourgeoisie are attempting to depict the matter as though the principles of socialist internationalism, in conformity with which the problems of the equalization of levels is being solved, afford some countries the opportunity to enrich themselves at the expense of others.

Arguments of this sort are evidence of the total lack of understanding of the nature of the socialist division of labor and the commercial interrelations of the socialist states, which are being implemented with allowance made for the national and international interests, in conformity with the principles of socialist internationalism. The forward movement of the countries of the community, as is known, is occurring in such a way that the economically less developed countries are advancing more rapidly than the economically more developed countries. Therefore there is nothing surprising in the fact that the

gap in the levels, for example, between the GDR and its other CEMA partners is decreasing. However, this does not at all imply that some harm is being done to the interests of the GDR. The high standard of living of the population in this country is explained not last of all by the nature of the mutually advantageous relations with the other socialist states, the share of which in its commodity turnover comes of 66.1 percent, including the USSR--56.7 percent, while that of the capitalist and developing states comes respectively to 28.5 and 5.4 percent.<sup>11</sup>

While understanding that the planning mechanism of socialist economic integration is closely connected with the national systems of planning, bourgeois economists are trying to distort the very essence of planning under socialism, by discrediting both the centralized planning of the national economy in individual countries and the mechanism of the support of the systematic character of the development of integration processes in the socialist community. The critics of socialism approach all these questions with the criterion of the market economy.<sup>12</sup>

An important place in the conceptions, which distort the legal nature of CEMA, is assigned to the criticism of the principle of the sovereignty of the states participating in socialist economic integration as the most important principle which is being used in the interstate relations of the new type. It is possible to distinguish two directions of this aspect of the criticism. They both oppose sovereignty to socialist integration. The representatives of the first direction base themselves on the fact that the intensification of socialist integration inevitably involves the restriction, the "curtailment" of the sovereignty of the states taking part in it owing to the ostensibly dominant position of the USSR. The representatives of the second direction recognize the preservation of sovereignty for the integrating partners, but believe that this impedes the development of socialist integration.

Some authors speak for integration of the market type, when the buyer and the seller, who represent state national ownership, ostensibly enter into relations which are free of mutual obligations. This, it seems, would ensure in the best way for individual countries "the preservation of national independence." Like any anti-Marxist "market" conception, the conception in question underestimates the decisive role of planning activity and is aimed against the internationalistic principles of close cooperation and fraternal mutual assistance, which are being implemented in the international contact of the socialist states, as well as against the general democratic principle of reciprocity, which in the relations between the fraternal countries is closely connected with socialist mutual assistance.

The representatives of both directions agree about the opinion that only super-state integration like that which is being implemented in the EEC can be "real integration." More simply speaking, they invite the socialist countries to change the organizational legal form in which the integration process is taking place. Such a statement of the question, in our opinion, is itself unscientific, since the factors, which determine the choice of some organizational forms of integration or others, are not taken into account. The choice of the specific forms of economic integration depends, as M. Maksimova correctly noted, "first, on the nature of the social system in the countries being integrated,

second, on the concrete historical conditions of their development, third, on the economic and political goals of the states which are concluding the corresponding integration agreements."<sup>13</sup>

In creating CEMA as an interstate organization, its members were guided by the consideration that during the modern historical era the relations between states can be developed only as relations between sovereign states. The sovereign equality of the members of the council is guaranteed by international legal statutes. The provision of the Comprehensive Program that CEMA and the other international economic organizations of the socialist countries "should not have the nature of supernational organs," signifies that at the present stage of the development of the socialist community economic integration is of an interstate nature. It is natural, therefore, that CEMA in contrast to the EEC adopts decrees in the form of recommendations and decisions only if there is the agreement of the interested member countries. The decisions and recommendations do not apply to the countries which have stated their lack of interest in some measures or others, and their nonparticipation in these measures does not influence collaboration and cooperation in other areas of production. Such an approach guarantees the observance of the national interests of all the partner countries.

It is characteristic that the very "Sovietologists," who accuse the USSR of violating the sovereignty of the other participants in socialist integration, do not have a common opinion on this account and frequently express conflicting points of view. The distorted notion of sovereignty, in case of which national or regional interests are artificially opposed to international interests, is the basis for their opinions. The experience of both the economic and the political cooperation of the socialist countries shows that unequal relations cannot exist between them. The Soviet Union, objectively the most powerful force of integration unification, by no means claims any privileges with respect to the other partners, which are smaller in size and economic potential. Its policy in CEMA never was and is not at variance with the interests of the other fraternal countries. On an equal footing with them it is fulfilling irreproachably the collective decisions which are adopted on a voluntary basis.

The bourgeois conception of the "economic domination of the USSR" serves the rejection of the principles of socialist internationalism, which presume complete equality and fraternal cooperation in the integration relations of the CEMA countries. Its essence consists in the claim that the international socialist division of labor places the CEMA countries in a dependent position in the process of exchange with the Soviet Union.

It is impossible to agree with a "theory" of this sort. For it is well known that the Soviet Union supplies raw materials to the fraternal countries on the basis of long-term contracts and plans, in a number of instances at prices less than world prices, while frequently limiting its own needs, in the interests of the increase of the level of economic development of these states and the community as a whole. At the same time the exports of Soviet machines and equipment to the other socialist countries are increasing, the involvement of the USSR in the construction of enterprises and other economic projects in these countries is increasing.



Some "Sovietologists," trying to profit by the urgency of the raw material problem, are attempting to present it as the main factor which dictates the political alliance of the CEMA countries, while ignoring its real basis--the ideological class and socioeconomic community of the interests of the countries of the community. The aspiration to depict the intensifying interrelations of the CEMA countries as one-sided dependence on the Soviet Union reflects in a distorted manner the real fact that individual socialist countries, in which a disparity exists between the rapidly increasing needs for the basic types of fuel and raw materials and the possibilities of meeting them, are meeting a large portion of their import needs for raw materials and fuel by means of deliveries from the USSR. The untenability of the claims about the ostensibly discriminatory nature of the prices for raw material goods in CEMA is confirmed by the studies of a number of western scholars themselves. Thus, M. Lavigne writes: "The analysis of the prices of the socialist market shows that the exporter of raw materials does not have advantages over the exporters of finished products. The latter is by no means a victim of discrimination, since the CEMA market ensures him a sale (for example, of machines at prices higher than the world prices), which he would not have in the West."<sup>14</sup> The thesis of the "one-sided advantages" of the USSR as a result of the "raw material advantage" does not find confirmation in the real practice of the economic cooperation of the CEMA countries.

In revealing the untenability of the opinions of bourgeois experts, which regard the building of joint projects as a new form of raw material dependence on the Soviet Union, one should also note the opposing point of view, according to which the Soviet Union, by meeting the increasing needs of the socialist countries for raw materials, is thereby doing harm to the development of its own economy. In reality the USSR is interested in the building of these enterprises, since they will meet a portion of the needs of the national economy for both raw materials and fuel.

The propaganda significance of the conception of "the raw material and technological dependence of the CEMA countries" is quite clear: to discredit the principle of the mutually advantageous cooperation of the socialist countries, by opposing the "gain," which the USSR obtains, to the "loss" of the other countries. The untenability of this position consists, on the one hand, in the distortion of this principle, which is inseparably connected with the principle of complete equality, and, on the other, in the misunderstanding of the present stage of the development of the international socialist division of labor. The setting up of a branched system of cooperative interrelations, which ready the changeover of individual works and even entire sectors of industry of the CEMA countries to operation under common technological conditions, is characteristic of this stage. This process, which requires of the socialist countries the exchange of the most modern types of equipment and technology, of course, is not accompanied by coercion on anyone's part.

The conception of "command integration," which is logically connected with the antisocialist conception of "a command economy," holds an important place in the arsenal of means which are being used by the West for refuting the principles of socialist internationalism in the economic relations of the CEMA countries. With regard to the latter a large number of interpretations, from the frankly vulgar to those which aspire to objective scientific analysis, are

encountered in bourgeois literature. However, all the versions of this conception have a common premise. Socialism is interpreted as a "totalitarian," "command," "politicized" economy, in which economic criteria and laws do not operate directly, while the economy from top to bottom is subordinate to the "commands" which are dictated primarily by political tasks.<sup>15</sup> The supporters of the conception of "a command economy" see the main evil in the management of the economy from one center. Precisely this thesis has been carried over to the present conception of "command integration" under socialism.

The apologists of the conception in question, using speculatively the fact that the USSR by virtue of its location and economic might is playing (and cannot but play) an important role in the integration process, ascribe to the Soviet Union the function of the forcible management of it. This assertion is untenable both theoretically and practically, for it is a question of socialist integration, that is, integration of the type, in which owing to its internationalistic nature there is no basis for unequal relations, for the obtaining of advantages by one country at the expense of other countries. The function of forcible management on anyone's part whatsoever in the area of the planning of integration processes in practice is ruled out, since socialist internationalism naturally predetermines the collective nature of the systematic management of them. "Socialist internationalism and the domination of a planned economy within the CEMA countries make it possible to use the direct collective coordination of the forms of the management of socialist integration."<sup>16</sup>

A new aspect of the conception of "command integration" is the thesis of Soviet coercion, which is ostensibly occurring, in the choice of the nature of international specialization. However, the changeover to specialization and cooperation as the basic forms in the creation of stable and long-term production engineering and economic relations between individual economic enterprises of the CEMA countries is governed by the countries themselves and, consequently, does not have the nature of any coercion or dependence whatsoever. The participation of Bulgaria, Hungary, the CSSR and Poland in the production of Zhiguli passenger cars at Tol'yatti, for example, is an example of such voluntary and mutually advantageous cooperation.

"Within CEMA, as is known," O. Bogomolov notes, "a preferential system of the exchange of products and production engineering cooperation, which has been organized on a stable planned basis, has been formed. This system gives each of the participants real advantages. They consist in the possibility of the formation of a more advanced structure of exports than in the relations with developed capitalist countries (a larger proportion of machines and equipment), the purchase of many types of goods at times in the absence of other sources of imports, in the system of mutual settlements, which does not require reserves of idle currency."<sup>17</sup>

As the practical experience of implementing the Comprehensive Program shows, socialist economic integration can be successfully developed only on the basis of the international specialization and cooperation of production. Whereas the possibilities of the intersectorial division of labor, that is, the exchange of fuel and raw materials for finished products, have their own objective limits, the specialization of production "by its very essence is endless--just as

the development of technology."<sup>18</sup> V. I. Lenin repeatedly stated the conviction that the socioeconomic unity of the socialist nations should be manifested on not only the national, but also the international scale, in "the merging of all nations in the highest unity."<sup>19</sup> This goal, being common to all the CEMA countries, not only is not at variance with the scientific choice of specialization, but also presumes it. Precisely in the organization of the world, specialized socialist economy, which is managed systematically and on a scientific basis, Lenin saw the most important advantage of the new social system as compared with capitalism.<sup>20</sup>

The conceptions of "the economic domination of the USSR" and "command integration" are being used by "Sovietology" for the theoretical substantiation of other conceptions, which are aimed at splitting the socialist community. Thus, the idea of the regional integration of the European socialist countries without the participation of the USSR, which was advanced soon after World War II, but did not undergo development, is again being extolled. An artificial scheme of the relations between the USSR and the socialist countries of Eastern Europe serves as the theoretical basis of this reactionary idea under the new conditions. The main tactical reckoning is being made on the gradual weakening, up to the final curtailment, of the multifaceted mutually advantageous relations of these countries with the Soviet Union.

In the system of the bourgeois line of reasoning, which denies socialist internationalism in the practice of the cooperation of the CEMA countries, the thesis of ostensibly the evolution of their position with respect to the integration of the Common Market stands out. It is well known that one of the tasks of socialist integration--the strengthening of the positions of the community in the world economy, the increase of the competitive ability of the goods being produced within CEMA on the world markets--presumes precisely the stimulation of the participation of these countries in worldwide commercial and economic relations. Neither the USSR nor the other CEMA countries regarded and regard such relations as a phenomenon which is dangerous to the socialist community, to its political or ideological unity. The broadening of economic relations with the CEMA countries conforms to no less an extent to the interests of the capitalist states of Western Europe.

Therefore it is impossible to agree with those western economists who regard the initiatives of the socialist countries with respect to the Common Market as a "concession of Moscow," which fears "the uncontrolled development of bilateral relations" between the West European countries and its CEMA partners, as a result of "pressure" of the other CEMA countries, which are very interested in the normalization of trade relations with Western Europe. The organization of cooperation between CEMA and the EEC, undoubtedly, is a lengthy process, and it is now difficult to determine its specific forms. However, no matter in what forms the cooperation between both organizations and the countries with a different social system, which belong to them, appears, its content will be determined on the basis of both the international and the national interests of the socialist community. Such an approach when elaborating the common coordinated stand of the CEMA countries in foreign economic policy rules out between them any relations of "pressure" and "concessions" whatsoever and thereby conforms to the principles of socialist internationalism, since, by using the advantages of the international division of labor, it

contributes to the strengthening of the international economic base of the fraternal countries.

In conclusion it seems urgent to generalize the real phenomena which attest--contrary to bourgeois falsifications--to the broadening of the sphere of effect of the principles of socialist internationalism in the course of the economic integration of the CEMA countries.

First, as the practical experience of the long-term goal programs of cooperation shows, the solution of a larger and larger group of economic problems is shifting from the national to the international level. The framework of the manifestation of the advantages of socialism is thereby being broadened.

Second, the material base of integration, which is being created, and the forms of specialization and cooperation, reflecting the objective process of the internationalization of productive forces and production relations, are promoting the formation and satisfaction of international economic interests.

Third, the development of joint planning activity is making it possible to form systematically and consciously the future makeup of the socialist community, which does not experience "centrifugal trends," and is making it possible to envisage the means and forms of uniting the national economic interests of the individual countries into the common international interest of the community.

Fourth, participation on the basis of complete equality in the coordination and the settlement of the main issues of the economic policy of the entire community can serve only the strengthening of the national sovereignty of each of the fraternal countries.

#### FOOTNOTES

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3. "Internatsionalizm i problemy sotsialisticheskoy ekonomicheskoy integratsii" [Internationalism and the Problems of Socialist Economic Integration], Moscow, 1974, p 205.
4. See, for example, G. Vel'yaminov, "The International Law Principles of the Interrelations of the CEMA Countries," OBSHCHESTVENNYE NAUKI, No 5, 1982.
5. O. T. Bogomolov, "Strany sotsializma v mezhdunarodnom razdelenii truda" [The Socialist Countries in the International Division of Labor], Moscow, 1980, pp 124-125.



6. D. Filipov, "Ot natsionalno t'm internatsionalno stopanstvo" [From National to International Economy], Varna, 1976, p 304.
7. See MIROVAYA EKONOMIKA I MEZHDUNARODNYYE OTNOSHENIYA, No 4, 1982, p 24.
8. P. Knirsch, Op. cit., p 21.
9. See J. M. Herzfeld, "New Directions in East-West Trade," HARVARD BUSINESS REVIEW, Vol 55, 1977, pp 93-94.
10. A. P. Butenko, "Sotsialisticheskaya integratsiya, yeye sushchnost' i perspektivy" [Socialist Integration, Its Essence and Prospects], Moscow, 1971, p 22.
11. Calculated according to "Statisticheskyy yezhegodnik stran-chlenov SEV" [Statistical Yearbook of the CEMA Member Countries], Moscow, 1982, pp 309, 311.
12. For more detail see V. Kashin, "A Critique of Bourgeois Conceptions of the World Socialist Economy," OBSHCHESTVENNYE NAUKI, No 2, 1981.
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14. M. Lavigne, "Le Programme du Comecon et l'integration socialiste," Paris, 1973, p 179.
15. See on this, for example, Yu. Ya. Ol'sevich, "Effektivnost' ekonomiki sotsializma. Kritika burzhuaznykh i revizionistskikh kontseptsii" [The Efficiency of the Economy of Socialism. A Critique of Bourgeois and Revisionist Conceptions], Moscow, 1972, p 47.
16. A. M. Alekseyev, A. I. Vikent'yev, B. P. Miroshnichenko, "Sotsialisticheskaya integratsiya i yeye preimushchestva pered kapitalisticheskoy" [Socialist Integration and Its Advantages Over Capitalist Integration], Moscow, 1975, p 209.
17. O. Bogomolov, "CEMA: Economic Strategy of the 1980's," KOMMUNIST, No 7, 1983, p 75.
18. V. I. Lenin, "Poln. sobr. soch." [Complete Works], Vol 1, p 95.
19. V. I. Lenin, "Poln. sobr. soch.," Vol 24, p 131.
20. This Leninist conclusion finds confirmation in the works of several western scholars, who take the stand of objectivity and realism. For example, in the book of Finnish specialists in international affairs H. Linnainmaa and K. Mottola, "SEV ja sosialistinen taloudellinen ynedentyminen," attention is correctly concentrated on the fact that socialist integration as a qualitatively new and progressive phenomenon is playing a more and more important role in international relations: "The economic integration of the European CEMA member countries is



forming one of the main trends of development and one of the most important factors of the formation of the structure of Europe of the future" (H. Linnainmaa, K. Mottola, "SEV ja sosialistinen taloudellinen ynedentyminen," Helsinki, 1974, p 15).

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## TRADE WITH INDUSTRIALIZED COUNTRIES

### PONOMAREV ON COUNTERTRADE, USELESSNESS OF SANCTIONS

Moscow ARGUMENTY I FAKTY in Russian No 43, 25 Oct 83 p 3

[Article by A. Ponomarev, chief of the Main Administration for Compensation Projects of the USSR Ministry of Foreign Trade: "Cooperation on the Basis of Compensation"]

[Text] The emergence of compensation agreements has been dictated by the fact that countries with differing socioeconomic systems strive to utilize as fully as possible the advantages of the international division of labor. According to estimates of international organizations, cooperation on the basis of compensation, which was about 2 percent of world trade in 1976, reached approximately 30 percent last year.

Under compensation agreements the foreign trading partners grant the Soviet organizations long-term credits against which equipment, machines and materials necessary to build industrial facilities are delivered to the USSR. The credits are repaid with the finished products.

Having evaluated this effective form of business relations, over the last 10 or 15 years the Soviet Union has been collaborating extensively with the firms of Western countries on large-scale projects in such branches as chemical, gas, timber and lumber, pulp and paper, coal and food industries, as well as ferrous and nonferrous metallurgy. Sizable benefits are also anticipated in the future from cooperation in machinebuilding.

So far more than 45 major industrial facilities have been built on the basis of compensation in the USSR and are already manufacturing products. They include, for example, the complex for production of manufactured fertilizers consisting of eight ammonia plants and two for the production of carbamide, as well as an ammonia pipeline with a capacity of 2.5 million tons per year. They also include plants for the production of high-density polyethylene, caprolactam, styrene and polystyrene, bleached cellulose, alumina, and other industrial enterprises. Most of their products go to meet the country's domestic needs, and the rest goes to repay the credits and interest on them.

Complexes for the production of various chemicals, including methanol, ortho- and para-xylol, polyester fibers and filaments, polypropylene and the synthetic fiber nitron are being built in the USSR jointly with firms of Great

Britain, France, West Germany, Italy and a number of other countries. The Oskolskiy Electrometallurgical Combine is being built in cooperation with West German firms; French firms are helping to build the Nikolayev Alumina Plant and West Germany and France are involved in building the Sayan Aluminum Plant.

Agreements have been concluded with Japanese firms to prospect and develop petroleum and gas deposits on the shelf of Sakhalin Island, to develop the coal deposits of Southern Yakutia, timber resources of the Far East, etc.

The mutually advantageous nature of cooperation on a compensation basis is not understood by us alone, but is also clear to the foreign trading partners. There is confirmation of this in the long-term agreements and contracts with firms so well known in the world as "Mannesmann," "Kleckner," "Salzgitter," "Krupp," "Hoechst" and "Linde" (West Germany), "Rhone-Poulenc," "Creusot-Loire," "Pechinet" and "Spechim" (France), "ENI," "Montedison" and "Nuovo Pignone" (Italy), "Mitsui," "Marubeni," "Itochu," "Nisse-Iwai," "Sumitomo" and "Sodeko" (Japan), and "ICI" (Great Britain), "Occidental Petroleum" (United States), and many others.

Even though there is no question about countertrade being mutually beneficial, certain circles in the West insistently try to argue that the USSR is obtaining one-sided benefits and advantages in the sphere of technological exchange. In particular, the United States, using that argument, is trying to put pressure on its West European allies for them to restrict trade with the socialist countries. Where this leads is vividly indicated by the "sanctions" of the American administration toward the Urengoy--Pomary--Uzhgorod gas pipeline being built in the USSR. As a result of the ban on deliveries of equipment for that pipeline it is estimated that the United States firms and their affiliates in other countries have incurred a loss of more than \$2 billion. By completing the gas pipeline ahead of schedule the Soviet Union demonstrated once again that we can perform the tasks in our economy on our own, relying on advances in our own economics, science and technology.

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## TRADE WITH INDUSTRIALIZED COUNTRIES

### FINNISH-SOVIET FRIENDSHIP MONTH OBSERVED

Moscow SEL'SKAYA ZHIZN' in Russian 11 Nov 83 p 3

[Article by Igor' Revyakin: "In a Spirit of Trust and Cooperation"]

[Text] Every year the month dedicated to Finnish-Soviet friendship organized in the country which calls itself Suomi traditionally begins on the day commemorating the anniversary of the Great October [Revolution] and ends on 6 December--on the day when Finland's independence was proclaimed. These dates denote the indissoluble relation between historic events that have played a decisive role in the destinies of the two peoples.

Relations between the USSR and the Republic of Finland are truly an example of successful implementation of the principles of peaceful coexistence of states with different political systems. The agreement on friendship, cooperation and mutual aid signed in 1948 is the solid foundation of those relations. Having withstood the test of time, it has become an authentic historical document and on three occasions has been extended unaltered ahead of schedule for the next 20 years--in 1955, 1970 and 1983.

Both in our country and in Finland people have a high opinion of the results of fruitful cooperation between the two countries in the most varied political and economic fields, cooperation which has become a weighty and stabilizing factor for peace not only in northern Europe, but also outside the region. Our country is trading partner No 1 for Finland. And Finland in turn comes only after West Germany in the volume of the USSR's trade with the advanced capitalist countries. The level of visible trade between our states last year amounted to several billion rubles.

Soviet-Finnish relations represent a many-sided complex. They involve not only trade and economic affairs, but also scientific-technical, cultural, athletic and other relations. They all serve the cause of strengthening the spirit of trust and mutual understanding between the Soviet and Finnish peoples. This year's regular month of Finnish-Soviet friendship is yet another indication of the desire of our countries to expand their mutual contacts.

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## TRADE WITH INDUSTRIALIZED COUNTRIES

### CEMA INTEGRATION AND EAST-WEST TRADE

Moscow OBSHCHESTVENNYE NAUKI in Russian No 6, Nov-Dec 83 pp 51-64

[Article by Candidate of Economic Sciences Lyudmila A. Rodina, senior scientific associate of the Institute of Economics of the World Socialist System of the USSR Academy of Sciences: "The Economic Integration of the CEMA Countries and East-West Business Cooperation"]

[Text] The increase of the economic, scientific and technical potentials of the CEMA countries has created a realistic basis for the stepping up of their participation in the world division of labor as one of the factors of the intensification of economic development. The objective advantages of the international division of labor, which are connected with the internationalization of economic life and the increase of productive forces, have increased the role of economic factors in the relations between the countries of the two social systems and have led to the appearance and development of new, more comprehensive forms of intersystem economic ties, such as production cooperation, scientific and technical cooperation, joint trade and production enterprises, trilateral cooperation and others.

Therefore the question of the harmonious combination of intra- and extraregional factors of development is acquiring greater and greater importance. The urgency of this problem follows from the increasing scale of foreign economic relations and their structure-determining role in the development of the production and the scientific and technical complexes of the CEMA countries. The effectiveness of the use of business contacts with capitalist countries and the degree of influence of these contacts on the economic, scientific and technical development of the CEMA countries and on the speeding up of the integration processes within the socialist community depend on the optimum ratio of the intra- and extraregional factors of economic growth.

The expansion of the participation of the CEMA countries in the world division of labor is contributing to the increase of the scientific and technical level

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L. A. Rodina is a specialist in matters of the economic relations between the socialist and capitalist countries. The article was prepared on the basis of a chapter of the monograph "Sotsialisticheskaya integratsiya i novyye formy sotrudnichestva Vostok-Zapad" [Socialist Integration and the New Forms of East-West Cooperation], Moscow, "Nauka", 1983.



and the improvement of the production structure of the national economies of the socialist countries and thereby to the achievement of more effective integration relations within the community. Cooperation with western firms is helping the CEMA countries to set up the production of modern products in a number of important sectors of the economy, to modernize individual works, to improve by means of this the production and export structures and subsequently to expand their participation in the international specialization and cooperation of these works within the framework of CEMA. At the same time the mutual cooperation of the CEMA countries and the possibilities of marketing on the capacious socialist market are making it possible to use the contacts with capitalist countries for the setting up of the series production of a number of items and the achievement of the optimum production capacities and to rationalize the export structure. The increase of the technical level of production in the CEMA countries as a result of cooperation with western firms is creating the objective conditions for the intensification of the specialization and cooperation of production within the community. The development of export works with allowance made for the requirements of the world market is also yielding an integration impact, by affording opportunities for the expansion of the mutual exchange of products which conform to world standards.

On the other hand, the scientific, technical and production relations within the community are playing an important role in the broadening of the cooperation of the CEMA countries with western states. Thus, the implementation of the CEMA integration program in the area of computer electronics and the creation of the Unified System of Computers led to the development of bilateral cooperative relations in this area of individual socialist countries with western firms. The launching within the socialist community of large-scale integration programs, such as the enlargement in the CEMA region of the network of petroleum and gas pipelines, the development of new deposits of ores of nonferrous metals and others, required the attraction of additional material, technical and financial assets of interested western countries, which improved the resource supply of the objects being built.

At the same time in recent years several serious adverse consequences of the broadening of contacts with the West for the development of the national economy of the CEMA countries and socialist integration have also appeared: to a certain extent the importing of inflation and economic instability; the emergence of technological and raw material dependence in some sectors and types of works; the increase of the debt of a number of countries to the West and the reorientation of the deliveries of some goods, which are in short supply in the CEMA region, toward western markets. The solution of these problems and the elimination of the negative consequences are the common task of the CEMA countries, which require the strengthening of the coordination of their foreign economic activity in the relations with states of the other social system.

The broadening of relations with the world capitalist market increased the influence of the inflationary processes occurring in it on the economy of the CEMA countries. The increase of the cost of imported goods adversely affected the level of domestic prices either directly, as, for example, in Hungary, where their increase in recent years has come to 3-4 percent and more, or indirectly, as in the other CEMA countries, where the budget subsidies for offsetting production expenditures are increasing. All this is upsetting the

stability of the economy of the socialist countries. For some of them the change of the ratios of world prices had especially negative consequences.

With respect to individual countries and goods the level of dependence on western deliveries has increased. Thus, the great dependence of Hungary, Poland, as well as Romania on western deliveries of chemical raw materials was a direct consequence of their orientation toward imports of primarily western technological equipment for the chemical industry.

A significant portion of the imports from the West is of a compelled nature and is not justified. Many goods, which are purchased in the developed capitalist countries, are produced in the CEMA countries at an adequate technical level, but owing to the excessive intensity of the plan assignments and the lack of idle capacities and export reserves are not being delivered within the community. Such insufficient consideration, as a rule, of the quite steady and repetitive orders of the socialist countries, for example, for tractors, turbines, road construction equipment and others does not conform to the interests of socialist integration. The creation of export reserves of products, which are not planned in advance with respect to the consumers, would contribute to the elimination of such a situation.<sup>1</sup>

The orientation in case of planning almost exclusively toward rapidly increasing domestic needs and toward imports without the adequate consideration of export potentials has not been eliminated. Foreign economic relations are being regarded more and more often not as an integral element of the process of reproduction and a source of the increase of its efficiency, but as a means of eliminating temporary disproportions. Therefore the most stepped-up overstated plans of production are being combined with obviously understated assignments on foreign trade. This trend is appearing especially noticeably in the national economy of the USSR.

At present realistic possibilities exist for the replacement of the imports of some types of industrial products from countries of the West by imports through reciprocal deliveries of the CEMA countries, as well as the increase of imports from the developing countries. Such possibilities exist first of all with respect to machines and equipment. Today not less than one-fourth of all the machines and equipment being imported from the West fall to those types, the production of which has been assimilated extensively in the CEMA region at a quite high technical level: materials-handling equipment, equipment for the food industry and the production of construction materials, road construction machines, agricultural equipment, railroad rolling stock, ships and equipment for them.

The need for the rationalization of imports from the countries of the West from the point of view of their optimum inclusion in the reproduction process and their use as a factor of the increase of the efficiency of the entire economy is becoming more and more perceptible. At present the imports of three goods--rolled ferrous metal products, pipe and grain--account for half of the deficit of the European CEMA countries and, in reality, the entire Soviet deficit in exchange with the West. Here whereas it is possible to regard grain imports as attributable to natural conditions, the unjustifiably great demand for metal to a considerable extent is of an artificial nature in connection with the continuing planning of the production of machines and equipment in tons, the

unelinated orientation toward the "gross" in planning and the lack of interest of enterprises in the economical consumption of metal. Obviously, the rationalization of the import structure should be carried out while ensuring the priority of highly efficient imports of modern equipment for investment purposes for the sectors which produce means of production, as well as for the sectors with an export orientation, which have the prospects of a mass outlet to the world markets.

The reserves in the area of the increase of the efficiency of exports, especially from the point of view of the improvement of their structure, quality and technical and economic parameters, are also significant. First of all this concerns machines and equipment, which finds reflection not only in the difficulties of access to western markets, but also in the price ratio.<sup>2</sup>

The inadequate coordination of the CEMA countries when cooperating with western firms and the importing of dissimilar equipment lead at times to the technological incompatibility of the production capacities which are being put into operation in the socialist countries. This hinders the establishment of the efficient division of labor between them in certain sectors of production due to the differences in the equipment and technology being used and to the variance of the norms, standards and technical specifications. Factors of this sort impede the changeover to uniform standards within the CEMA countries and lead to the technical and technological tethering of national production to the West.<sup>3</sup> It should be noted that in the aspiration to set up one modern works or another on their own in case of the purchase of the corresponding equipment the CEMA countries frequently duplicate each other, while overlooking the possibilities of setting up similar specialized works within CEMA.<sup>4</sup>

Practical experience is showing more and more convincingly that cooperative, scientific and technical, production and commercial relations with the developed capitalist countries become an important factor of the national economic growth of the CEMA countries and promote the intensification of their mutual cooperation only when such relations are developed with allowance made for the priority and goals of socialist economic integration and the interests of the entire community. This idea has been repeatedly emphasized by many economists of the CEMA countries. Thus, Hungarian researcher F. Kozma writes: "...The socialist countries will be able to use them (that is, the economic relations between East and West--L. R.) fruitfully in the interests of their own development only if cooperation with the capitalist countries is closely coordinated with the tasks of socialist economic integration."<sup>5</sup>

The optimum combination of East-West cooperative relations with the development of the process of socialist economic integration makes necessary the elaboration of collective coordinated actions of the CEMA countries in this area. Such activity could be carried out within the framework of both individual CEMA organs and multilateral integration measures.

The importance of the coordinated actions and multilateral appearances of the CEMA countries on the world arena is increasing in connection with the intensification of the trends on the part of the western powers and their international groups toward the elaboration of a joint economic strategy. The ruling circles of the West, first of all the United States, are devoting particular

attention to the development and pursuit of a coordinated economic policy with respect to the socialist countries. The attempts of the capitalist states by means of an individualized approach to individual socialist countries to use economic relations for interference, in essence, in their domestic affairs and to upset the solidarity and unity of the socialist community are also being stepped up.

The possibilities of the more comprehensive and effective use of the mutually advantageous forms of the international division of labor of the CEMA countries with the West are being complicated by the sharp deterioration since the early 1980's of the international political situation, the intensification of the discriminatory policy of the aggressive groups of the capitalist countries with respect to the countries of the socialist community and the aspiration to use the objective process of the expansion of economic relations for military political and ideological purposes. The events in the Polish People's Republic, which revealed the negative economic influence of the West on the development of political and socioeconomic processes in this country, are posing in a new way the question of the technical and economic independence of the countries of the socialist community and the need in this connection for the rationalization of economic relations with the West. The accomplishment of this task is practicable only by the further consolidation of the domestic and foreign economic policy of the CEMA countries, the strengthening of the coordination of their actions in the main directions of long-term economic strategy and the broadening of the practice of multilateral actions on the basis of the potentials of socialist economic integration.

The rationalization of economic relations with the West requires, in our opinion, the optimization of the foreign economic policy of the CEMA countries, and first of all the mechanism of its implementation. The improvement of the economic mechanism, which has been carried out in recent years in the CEMA countries, although having touched on the foreign economic sphere, did not do so everywhere to the proper extent. Meanwhile precisely the modification of the mechanism of the management of foreign economic relations in the direction of the increase of their flexibility and efficiency, close coordination with production and scientific and technical activity and the use of modern marketing methods is an indispensable condition of the increase of the efficiency of foreign economic cooperation.

The expansion of the practice of joint actions of the CEMA countries on the world market and the coordination of their foreign economic policy as a whole and with respect to individual directions serve as a reliable guarantee against the possible negative consequences of relations with the West. Through socialist integration, by means of the combination of the economic, production, scientific and technical potentials the CEMA countries can successfully solve the problems of enlarging their export reserves for the purpose of overcoming the structural and currency barrier in cooperation with the West.

The further improvement of the integration mechanism of cooperation in all its components: the possible shift from the coordination of the plans of foreign trade to the joint planning of economic relations with the West (first of all cooperative, scientific and technical relations), which follow from the integration measures within CEMA in conformity with the Comprehensive Program, the



long-term goal programs of cooperation (DTsPS's), the Coordinated Plan of Multilateral Integration Measures and others; in the area of commodity-money relations--the gradual introduction of the convertibility of the transferable ruble; in the area of institutional forms--the more comprehensive use of the existing international economic organizations and banks of the CEMA countries, as well as the development of new forms, would contribute to the achievement of this goal.

At present a certain gap still remains between the formal possibilities of the achievement of a relatively high level of coordination of the foreign economic actions of the CEMA countries, which follow from the content of the numerous recommendations which have been adopted in this area in CEMA organs, and the actual realization of such possibilities. In this connection the question of a definite improvement of the formed institutional forms of socialist integration is arising. The uncoordinated actions of the CEMA countries with respect to third, including capitalist, states in many ways are explained by the inadequate development within the community of the foreign economic mechanism of integration.

The need for the more comprehensive use of the mechanism of the CEMA Executive Committee for the accomplishment of the coordination of the foreign economic activity of the CEMA countries is arising in connection with the stepping up of the involvement of the CEMA countries in world economic relations, the expansion of the economic relations with developed capitalist states and the strengthening of the contacts with international organizations. In the future, apparently, more and more attention should also be devoted to the coordination of the actions of the CEMA sectorial commissions in the sphere of economic relations with the capitalist states.

The formation of an effective mechanism of the coordination of the foreign economic policy of the CEMA countries could also occur in case of the coordination of the long-term scientific, technical and production interrelations of their national economic complexes within the framework of joint planning activity. At present the joint planning of the CEMA countries does not apply to the sphere of foreign economic relations outside the community. The intraregional aspect of the solution of some problems or others in practice also remains outside the long-term goal programs of cooperation and the long-term bilateral programs on the specialization and cooperation of production (DPSK's).

Therefore, in our opinion, the linking of these relations to the already elaborated long-term goal programs of cooperation, first of all on machine building, on fuel and raw materials and on foodstuffs, in the form of subprograms with their further specification would be of great importance for the more effective use of the new forms of cooperation with capitalist states for the purpose of the intensification of socialist integration and the development of all the countries of the socialist community. When drafting new long-term goal programs, obviously, the joint planning of relations with nonsocialist countries as one of the methods of achieving the set goals (in the form of a special section of these programs) would be advisable.

In case of such an approach it would be possible to stimulate the export policy, to give a significant portion of exports, for example, machines and equipment, a purposeful nature, while at present exports are frequently a byproduct



of production for the domestic market, to elaborate versions of cooperation with an outlet to the markets of third countries and to rationalize imports from the West. The cooperative relations with nonsocialist countries, obviously, should be singled out by a separate line in the resource part of the integration programs, while also reflecting them in the integration sections of the national plans.

The coordination of the foreign economic policy of the CEMA countries could be of a more purposeful nature and could have a more effective influence, if it were based on a jointly elaborated, scientifically sound conception of the development of the economic relations of the CEMA countries with states of the other social system for the long-range future. The need for the elaboration of such a conception is increasing in connection with the tendency to shift to new forms of relations, which are intended for a long period and for which the specialization and cooperation of joint activity are the basis.

The multilateral actions of the CEMA countries with respect to third countries are affording extensive opportunities for the accomplishment of important national economic tasks, for the increase of the effectiveness of integration measures, as well as their harmonization with the cooperation with developed capitalist states, which is becoming more and more diversified. The joint construction of large production facilities with the use of western scientific and technical achievements, equipment and credits, the specialization and cooperation of production with an outlet to western markets and scientific and technical integration which the sharing of the results of cooperation with western countries are the priority spheres of such multilateral actions.

In this sphere the investment cooperation of the CEMA countries is first of all acquiring great importance. It is a complex form of their cooperation and is aimed at the more and more complete meeting of the needs of the fraternal countries with the use of the intra- and extraregional potentials. The large-scale nature of the investment programs, which require vast material and financial resources, is making the attraction of assets of the developed capitalist countries necessary and expedient for the effective implementation of the outlined plans. Here the implementation of investment plans provides appreciable advantages to both parties (both the CEMA countries and the developed capitalist states), making these plans "a sphere of more and more extensive multilateral international economic cooperation with the participation of the interested states with a different social system."<sup>6</sup>

Such cooperation is acquiring particular importance in the solution of a number of problems of the development of the energy complex of the CEMA countries. It is possible to name as an example the joint purchase by the CEMA countries on the western market of pipe and compressor equipment for the Soyuz main gas pipeline and equipment for the Ust-Ilimsk Combine. These joint actions are providing noticeable advantages to all the participating countries.

Obviously, it is impossible to speak about the development of multilateral cooperation among the CEMA countries on the markets of third countries without consideration of the fact that at present long-term goal programs of cooperation, as well as long-term programs of the specialization and cooperation of production are being implemented in the most important sectors of the economy

of the CEMA countries. It is very important for the development of cooperation with third countries to promote the successful implementation of these programs, and for their implementation in turn to serve the optimization of the relations with developed capitalist states.

For the present the questions of cooperation with nonsocialist countries are reflected to a certain extent only in the energy and raw material goal program. The measures of the other long-term goal programs of cooperation for the most part are aimed at solving the problems of the domestic consumption of the CEMA countries and are not connected with the utilization of the extraregional possibilities for the accomplishment of the posed tasks. The long-term goal programs of cooperation, the long-term programs of the specialization and cooperation of production and the programs of the development of the scientific and technical cooperation of the fraternal countries are promoting the obtaining of production, scientific and technical results with fewer expenditures than in case of reliance exclusively on their own forces. The latter are being used, as a rule, within the CEMA region and do not always have an outlet to world markets. If such an outlet also exists, which is frequently a logical result of integration cooperation, it acts more as a side effect than as a goal of integration measures.

Under present conditions within the framework of the multilateral and bilateral programs, in our opinion, a two-in-one task should be accomplished: with particular attention to the organization of the production in the CEMA countries of such products, which at present are in short supply in the region and are being purchased in the capitalist countries, to develop at the same time on the basis of specialization and cooperation the production of individual types of items not only for the meeting of the needs of the national economy of the partners in the community, but also for the substantial increase of the stocks of exports products for the purpose of selling on the markets of third countries with allowance made for the regional and world division of labor.

The major multilateral projects of the CEMA countries in the sectors of the processing industry are creating favorable prerequisites for the linking to them of long-term cooperative relations with western firms, and on more advantageous terms for the socialist countries. The systematic and coordinated development of the multilateral cooperative relations of the CEMA countries, which are oriented toward the expansion of production for export beyond the region, and not only toward the internal needs of the community, with allowance made for the world division of labor, could be especially promising, so it seems to us, in nuclear machine building, the development of NC machine tools, vehicles, equipment for thermal electric and hydroelectric power stations, irrigation structures, road building machines, mining equipment, in the electronics and electrical equipment industry, chemistry and petrochemistry, as well as in a number of traditional sectors. Multilateral projects would make it possible to use more effectively the advantages, which are being created by socialist integration, for the development of relations with the West and the increase of their efficiency and mobility.

The building of joint enterprises by several socialist countries with specialized firms of the capitalist states would also be advisable. This would make it possible to utilize the knowledge of markets and the experience of the

latter for the selling on the world market of the products, which have been developed and are being produced by the CEMA countries within the framework of mutual cooperation. Today such occurrences are extremely rare. At the same time the multilateral joint companies with the participation of partners from two or several capitalist countries are occupying a more and more important place in the practice of their business cooperation with third countries.

The combination of the financial and material resources of several socialist countries in the area of joint enterprise would make it possible to broaden the sphere of activity of companies of the socialist countries and to increase their efficiency and competitive ability. Moreover, within the framework of such companies the socialist countries could utilize the experience of the states, which have long-standing traditions in this area and specific relations on the world markets.

It is possible, in our opinion, to group the possibilities of access to third markets with complete sets of equipment or with items, which have been developed by joint efforts in the course of scientific and technical cooperation, that is, with goods containing elements of market novelty, with the promising forms of the joint action of the CEMA countries in the area of scientific and technical activity.

The expansion of the practice of conducting joint research and experimental design work, which lead to the development of new technical and technological solutions, machines and equipment, which are competitive on world markets, is causing the need for the coordinated multilateral appearance of the CEMA countries on third markets with a proposal on the sale or purchase of scientific and technical achievements. In individual instances, for example, when elaborating the problems in which the CEMA countries have definite priority, perhaps, the involvement in their solution of the western countries, which have modern facilities for the testing and verification of the obtained results, a developed experimental base and experience in the assimilation of new works, would be advisable.

It seems that precisely the joint scientific and technical potential of the CEMA countries could become in the 1980's the basis for the more active penetration by the CEMA countries of new markets, which are notable for very strict conditions of competition. In combination with the experimental base of western countries and their experience in the organization and management of production this could also promote the achievement of leading gains in individual directions of scientific and technical progress, such as atomic energy, the development of equipment for environmental protection measures, individual areas of medicine, metallurgy, hydraulics and pneumatics, petrochemistry, household electrical equipment and others.

The problem of joint purchases of technical decisions for the coordinated development of interrelated works, which makes it possible to eliminate duplication and to ensure the design similarity of the items being produced, which facilitates their standardization, unification and so on, is also no less urgent. The joint purchase of licenses, "know-how" and technical equipment in case of the organization of the large-scale specialization and cooperation of

production among the CEMA countries is acquiring especially great importance. For the present such cases are extremely rare and are not so much the established practice as an exception.

The lack of coordinated actions in case of the purchase of licenses, especially with respect to finished items, the appropriate technical and economic substantiation of the measures being outlined, as well as mutual information on the promising directions of development, the demand and supply for technological innovations in the CEMA countries is leading to the unjustified and not always economically sound orientation toward western technology to the detriment of the intensification of the mutual scientific, technical and production cooperation of the CEMA countries.

In this connection the further improvement of the coordination and interaction of the work of the CEMA Committee for Scientific and Technical Cooperation with the sectorial commissions, the consideration of the individual directions and types of scientific and technical exchange with western countries when coordinating the long-range plans of the development of the national economy and drafting the goal programs of cooperation, as well as the more extensive use of the possibilities of the international economic and management organizations of CEMA for joint actions on the western markets in case of the purchase or sale of scientific and technical achievements seem necessary to us.

The possibilities of the existing institutions of socialist integration are also being used inadequately at present for the multilateral actions of the socialist countries. First of all this concerns the international economic associations of the CEMA countries. The activity of such associations for the present is oriented mainly toward the meeting of the internal needs of the region, in spite of the fact that the charters of many of them envisage appearance on the markets of third countries and the use of the relations with non-socialist states, including the developed capitalist states.<sup>7</sup>

At present the activity of the international economic associations is for the most part of an anti-import nature, such as, for example, that of the Organization of Cooperation of the Bearing Industry (OSPP). At the same time along with the rationalization of imports the orientation of these organizations toward the solution of such an urgent problem for the entire community as the enlargement of the export resources, which are competitive on world markets, with the attraction of interested western firms would be advisable. Thus, the international economic organizations could operate in third, including developed capitalist, countries or jointly with western firms could appear on the markets of third countries as joint companies.

Since at present more than half of all the cooperative relations of the CEMA countries with the West are being realized with multinational corporations, the action on the part of the socialist countries of the international economic associations, which represent the interests of two or several countries, would also create more equal conditions for mutually advantageous cooperation. It should be noted that experience in linking western firms with the activity of the international economic associations of the CEMA countries already exists. Thus, within the framework of the Bulgarian-Hungarian enterprise Intransmash, to which the planning, designing and organization of deliveries of systems of materials handling and warehousing have been assigned, an



agreement has been signed with the Austrian firm (Warner Biero) in the area of the joint designing and use of port handling equipment, a transport system and warehouses on the Rhine-Main-Danube canal.

The creation in the process of socialist integration of specialized international organizations with the participation of all interested partners, for example, for the implementation of large-scale projects of all-European cooperation in the area of power engineering, transportation, the infrastructure and environmental protection could become an important condition of the broadening of the multilateral cooperation of the CEMA countries with western states. The implementation of the initiatives of the Soviet Union on the convening of all-European congresses on the problems of power engineering, transportation and the environment could serve as a valuable initiative of this sort of cooperation on a multilateral basis. Such questions of all-European cooperation as the uniting of the electric power and gas pipeline systems of Europe, the creation of an all-European system of the transportation of the basic types of fuel, the joint construction of large fuel and energy complexes, the development of new sources of energy and joint research in this area and steps on the saving of energy have been on the agenda for a long time now. In the area of transportation the questions of the modernization of the all-European transportation routes--rail, motor, water, river--and the construction of transportation arteries with a large carrying capacity await their settlement. The solution of the problems of environmental protection (the elaboration of steps for combatting air pollution, on the elimination of the harmful consequences of the extensive use of mineral fertilizers, the development of waste-free processing methods and others) is acquiring particular urgency under the conditions of scientific and technical progress.

In addition to new institutional forms the solution of the problems listed above will also require, obviously, a special mechanism of their financing. However, the implementation of these major plans is possible only in case of detente and the establishment of equal and mutually advantageous relations by the elimination of the discriminatory restrictions, which are often of a political nature and are aimed against the socialist countries. In this connection the need for the normalization of economic relations within the framework of CEMA-EEC is becoming more and more urgent.

The open nature of the Council for Mutual Economic Assistance offers a wide range of possibilities for the development of various forms of multilateral relations (at the level of CEMA-EEC, CEMA countries-EEC countries, CEMA international economic associations-western firms) by the conclusion of the corresponding collective agreements on cooperation. The signing in 1973 of an agreement on cooperation between CEMA and Finland, in particular, is an example of the realization of such possibilities. A special commission, within which five groups were formed: for machine building, chemistry, transportation, scientific and technical cooperation and foreign trade, was set up on its basis. Many difficulties and unsolved problems are still encountered in its work, but the experience of this commission and especially its task forces shows the great promise and mutual advantage of the development of intersystem relations on a multilateral basis.

The accomplishment of jointly planned actions to a considerable extent depends on the economic interest of the participating countries and on the real



advantage of multilateral actions. Therefore the improvement of the commodity-money tools of the integration mechanism for the intensification of the stimulation of the multilateral actions of the fraternal countries is acquiring great importance. In this connection the improvement of the mechanism of pricing on the world socialist market in at least two directions: the achievement of the greater flexibility and stability of contract prices, is becoming necessary. The flexibility of contract prices is necessary for the provision of preferential conditions of the mutual exchange of the CEMA countries within the framework of integration measures. A certain stability of prices is important for avoiding "the importing of inflation" from the capitalist countries. Given the unconditional soundness of the orientation of contract prices in the mutual trade of the fraternal countries toward the prices of the world market and their gradual approximation of the world prices it is expedient, in our opinion, to also strive in the future for the preservation of a certain degree of preference in the prices on the CEMA market. This promotes the intensification of socialist economic integration and makes easier for the CEMA countries adaptation to the world economic conditions, which changed sharply in the 1970's. At the same time the limits of preference need, apparently, refinements.

Finally, definite changes are also needed in the very sphere of economic relations with the capitalist countries: the concentration of relations primarily on the most reliable partners, the assurance of priority to the development of the most effective forms and directions of cooperative collaboration.

The experience of recent times shows that the sufficiently developed mutually advantageous economic contacts provide a certain guarantee of their stability. The opposition of the West European countries to the attempts of the United States to ban the deliveries of equipment for the Urengoy-Uzhgorod gas pipeline, in particular, attests to this. It is obvious that the business relations of the CEMA countries with the West on a long-term, mutually advantageous and truly equal basis can make a definite positive contribution to the process of socialist economic integration, to the strengthening of peace and detente.

#### FOOTNOTES

1. For example, for the Soviet Union it is possible to speak "of values which would come on the average to less than 1 percent of the annual output of products in the leading sectors of its processing industry, for the other CEMA countries this indicator would be, naturally, slightly higher" (N. P. Smolov, "Sotsializm i mezhdunarodnyye ekonomicheskiye otnosheniya" [Socialism and International Economic Relations], Moscow, 1979, p 96).
2. Thus, the value of one commodity unit of machines, which are exported from Western Europe to the CEMA countries, in the middle of the 1970's came to \$7,324, while in the opposite direction it came to only \$2,720, or 10/21 of the first amount, and this ratio is increasing as the degree of processing of goods increases (FIGYELO, 3 February 1978).
3. As a result of this, for example, the international standardization of the designs of grain combines, which are produced in the GDR, Poland, Romania and the USSR, tractors of the same class, which are produced in the GDR,

Poland, Romania and the USSR, the plows, which are produced by all the CEMA countries, and others in practice is absent.

4. The purchase by Hungary and Poland of licenses and equipment for the production of heavy-duty trucks and buses can serve as an example of such lack of coordination. The lack of coordination of the actions of the CEMA countries also appeared in case of the purchase by the USSR, Hungary and Romania of licenses in the West for the production of brake equipment for trucks. As a result too much western currency was spent for the purchase and too much national currency was spent for the introduction of this equipment in production in each country, parallel works of nonoptimal size were also organized and the area of the marketing of these products was narrowed (BYULLETEN' INOSTRANNOY KOMMERCHESKOY INFORMATSII, 24 May 1980; BYULLETEN' INOSTRANNOY KOMMERCHESKOY INFORMATSII, 9 October 1979).
5. F. Kozma, "Gazdasagi integracio es gazdasagi strategia," "Kozgard es jogi Konyvkiado," Budapest, 1976, p 295.
6. V. P. Karavayev, "Integratsiya i investitsionnyye problemy sotrudnichestva stran SEV" [Integration and the Investment Problems of the Cooperation of the CEMA Countries], Moscow, 1979, p 115.
7. Such activity in the area of the sale and purchase of licenses is envisaged in the charters, for example, of the Organization of Cooperation of the Bearing Industry (OSPP), Interkhim, Interatomenergo and others. The charter of Interatomenergo also envisages the provision of technical assistance to third countries in the construction of nuclear electric power stations (see "Upravleniye vneshneekonomicheskoy deyatel'nost'yu sotsialisticheskikh stran" [The Management of the Foreign Economic Activity of the Socialist Countries], Moscow, 1979, pp 181-182).

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## TRADE WITH INDUSTRIALIZED COUNTRIES

### BRIBERY CASE INVOLVING WESTERN FIRMS REPORTED

PM081126 [Editorial Report] Moscow IZVESTIYA in Russian 30 November 1983 morning edition carries on page 6, under the headline "Beyond Danger Point," a 1,200-word article by V. Barsov and L. Savin on the case of Yu. D. Popov, senior engineer at the "Sudzagranpostavka" association in 1978-1982, who has been convicted of "receiving from foreign businessmen 18 bribes in the form of items of household radio equipment and industrial goods with a total value of R 25,237 at USSR state retail prices." "With the connivance of certain of his leaders," the article declares, "Popov 'defended' for mercenary purposes the interests of his chosen Western trade representatives."

In the investigation, Popov stated that "Meeting with foreigners, I saw that most of them were not stingy in handing various gifts and souvenirs to members of Soviet delegations in order to establish closer relations with them for further use of such circumstances in solving business problems." He noted that a "difficult situation at home" required him to obtain money for a cooperative apartment and that "I understand that my actions were damaging the interests of the Soviet state, but treated it all lightly, without thinking of the consequences..."

The authors remark that Popov "consciously committed a crime" in order to acquire goods, and reject his claim during the investigation that "'to receive souvenirs from foreigners is a perfectly ordinary and commonplace phenomenon for personnel in our category,'" making the following comments:

"No, we do not believe Popov when he says that for personnel dealing with foreign economic relations to receive souvenirs from foreigners is a 'perfectly ordinary and commonplace phenomenon.' We know that many Soviet people working abroad carry out their important and responsible mission honestly. Sparing neither time nor effort, they work in the areas assigned to them and defend the interests of the Soviet state. Any contract that we conclude with capitalist firms is a kind of duel-cum-dialogue in which each of the parties strives to obtain the most advantageous terms for itself. And when someone openly and brazenly sacrifices his own country's interests for the sake of a pitiful handout it is a disgrace and a crime.

"The competent organs put an end to Popov's criminal activities at the very point beyond which a quite different article of the RSFSR Criminal Code comes into operation. But he had already determined to cross this Rubicon. The court judged Yu. D. Popov to be guilty as charged and sentenced him to imprisonment, with confiscation of his illegally acquired property."

## TRADE WITH INDUSTRIALIZED COUNTRIES

### PRAVDA REPORTS ON SOVIET-GREEK COOPERATION IN ENERGY

PM281429 [Editorial Report] Moscow PRAVDA in Russian 26 November 1983 first edition carries on page 4 a 1,500-word Athens dispatch from own correspondent N. Miroshnik under the heading "In Northern Greece," date-line November. Miroshnik reports from Kozani province on Soviet-Greek cooperation in the power industry sphere, noting the role of Soviet experts in the construction of thermal power stations in the province and the importance of this cooperation in the Greek energy program. The article goes on to cite favorable comments from Greeks working with Soviet motor vehicles used for delivering fuel to the power stations. Miroshnik concludes that "Soviet-Greek cooperation in the sphere of the power industry has been assuming the most diverse forms in recent years," and gives the example of the need to improve lignite by adding hard coal: "But Greece has no hard coal. So in Athens recently, the leaders of the Greek State Power Corporation and the Soviet Soyuzpromeksport foreign trade association signed a large-scale contract for the delivery of 400,000 tons of coal from our country for use at thermal power stations."

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## TRADE WITH INDUSTRIALIZED COUNTRIES

### BRIEFS

SOVIET-NORWEGIAN FISHING PROTOCOL--The 12th Session of the Joint Soviet-Norwegian Commission for Fishing has completed its work in Moscow. The conference of scientists and specialists in fishing from the two countries took place under the aegis of mutually advantageous cooperation so as to take into account the interests of both sides. Guided by the recommendations of the scientists, the allowed quotas were set in the session for the catch of such fish species as cod, haddock, capelin, and perch, as well as shrimp. The protocol of the agreement on fishing between the USSR and Norway was signed by representatives of the governments of the two countries: V. Zilanov, chief of the Administration for Foreign Relations of the USSR Ministry of Fish Economy, and G. Gundersen, Norwegian deputy fishing minister. [By Yu. Suchkov] [Text] [Moscow VODNYY TRANSPORT in Russian 24 Nov 83 p 3] 7045

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MONOGRAPH ON CEMA TRADE WITH LDC'S REVIEWED

Moscow VNESINYAYA TORGOVLYA in Russian No 11, Nov 83 insert

[Review by M. S. Pankin of book "Ekonomicheskoye sotrudnichestvo stran SEV s razvivayushchimsya gosudarstvami" /Economic Cooperation Between the CEMA Countries and the Developing Countries/ by V. D. Popov, "Ekonomika", Moscow, 1982, 144 pages]

[Text] The "Ekonomika" Publishing House has put out a monograph that examines various aspects of the development of new forms of economic and scientific-technical cooperation between the socialist and the developing countries and illuminates the directions and forms of its further expansion.

The value of this monograph is that it focuses attention primarily on matters that have received relatively little treatment, including such questions as cooperative production arrangements and the effectiveness of collaborative production arrangements between socialist countries and developing countries, as well as the basic criteria and indices used to evaluate these arrangements. The author examines these questions through the prism of the two competing lines in international economic cooperation--the line of the socialist states and that of the capitalist states--and he shows that economic cooperation between the CEMA countries and the developing countries represents a new type of relations based on equitable, just, democratic principles.

While giving preference to economic cooperation between the CEMA countries and the developing countries that is based on bilateral relations, the author does not rule out the further development of this cooperation, especially the development of cooperative production arrangements on a multilateral basis.

He cites concrete examples of this cooperation. In the author's opinion, the development of multilateral cooperative production arrangements between the developing countries and the CEMA countries in the construction of facilities in third countries is especially promising. Multilateral cooperation has helped many developing countries create the nucleus of a heavy machinery industry. With the help of multilateral cooperation some developing countries have been able to reduce construction times, speed up the

process of putting facilities into operation and bringing them up to rated capacity, and build large plants.

The author correctly notes that the development and deepening of multi-lateral cooperation between the socialist countries and the developing countries has a positive effect not only on expanding the volume of young states' national production but also on the structure of their economic ties. These ties will increasingly develop on the basis of the potential of the socialist countries and the developing countries in the production of specialized output.

The experience of a number of developing countries (India, Algeria, Syria, Iran, etc.) has shown that by relying on cooperation with the CEMA countries they have been able to solve many important economic problems, the solution of which had been hindered by the imperialist powers--problems, for example, such as the discovery of industrial petroleum reserves and creation of domestic petroleum and petroleum-refining industries in India, Syria and other countries.

For each of the young states, utilization of the advantages inherent in an international division of labor built on a new, progressive basis is an important condition for the accelerated development of its national economy.

This is precisely the sort of international division of labor that is being developed between the socialist countries and the developing countries, and the future unquestionably belongs to it.

Citing documents of the 36th CEMA session, which was held in June 1982, the author correctly draws the conclusion that increased cooperation between the CEMA countries and the developing countries reflects the socialist commonwealth's consistent course of supporting the liberated states in their struggle against neocolonialism and struggle to accelerate the development of their national economies and build international economic relations on a just and equitable basis.

The section of the book on the CEMA countries' aid to the young states in the area of social and economic planning is of special interest.

As the author correctly points out, experience shows that the tendency to concentrate not only the political but also the economic functions of managing economic and social development in the hands of the state, and the endeavor to organize the planned development of the economy, or of certain aspects of the process of social reproduction, manifest themselves in most of the developing countries.

On the basis of an analysis of the concrete data and practical actions of the developing countries' governments, the author notes that the progressive leaders of these countries correctly conclude that the main tasks facing their countries--eliminating backwardness and attaining economic independence--cannot be accomplished in conditions of unplanned and unmanaged social development. He skillfully uses statements by prominent leaders

of the young states to support his opinion. Thus, for example, citing a statement by India's Prime Minister I. Gandhi, he shows the great importance that the Soviet experience in economic management and planning has for the developing countries.

It is impossible not to agree with the author's correct conclusion that joint actions by the USSR and the other socialist states with the developing countries play an important role in resolving the fundamental issues of present-day international life. Strengthening these economic relations contributes to the successful restructuring of international political and economic relations on a just and democratic basis, and to the solution of the developing countries' urgent problems with the help of social and economic planning.

The book also attempts to examine the forms of regulating cooperative production arrangements between the CEMA countries and the developing countries. Although one cannot agree with all the propositions set forth in the monograph, it is impossible to dispute the conclusion that cooperative production arrangements between industrial enterprises in the socialist countries and those in the developing countries play an important role in speeding up development of the economy and improving its structure in the young states.

At the same time, one should note that not all the sections of V. D. Popov's book are developed in equal depth. The specific nature of economic relations between the CEMA countries and various groups of the developing countries is not shown fully enough. Yet a scientific and practical need for such an analysis has long existed in view of the increased differentiation among the young states and the growth in the number of developing countries of socialist orientation, countries to which the CEMA countries give preference in their foreign economic ties.

It would have been desirable to have had a broader analysis of the specific effect of discriminatory measures taken by the US, NATO and the EEC on the development of the young states' economies and on their foreign economic relations, especially with the CEMA countries.

The monograph also includes certain repetitions and lengthy formulations. However, they by no means reduce the value of the work as a whole.

This monograph unquestionably represents an important contribution to the treatment of an urgent problem of the present day--economic cooperation between the socialist countries and the developing countries--and it unquestionably will arouse interest among a wide range of readers who are interested in international economic problems.

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SOVIET-INDIAN TRADE TO EXPAND--Delhi--The eighth session of the Soviet-Indian Intergovernmental Commission on Economic and Scientific-Technical Cooperation has finished work in the Indian capital. On the final day of the commission's work a number of protocols were signed containing specific proposals in the cooperation sphere. They include Soviet assistance to India in the development of ferrous and nonferrous metallurgy, machine building, the power industry, and the working of coal and oil deposits. A protocol was signed on expanding trade relations between the two countries for 1984. Soviet imports from India will include an increased proportion of industrial goods which will increase employment in the country and ensure the sale of Indian industrial output. "India is still faced with the complex problem of overcoming the remnants of colonialism and of combatting poverty," the HINDUSTAN TIMES writes. "Thus the USSR's assistance, given at a critical time when the main Western countries have refused to help India to industrialize, is warmly welcomed by our country." [Text] [By A. Akhmedzyanov] [Moscow IZVESTIYA in Russian 15 Dec 83 Morning Edition p 1]

SOVIET MACHINERY TO IRAN--Our correspondent in Crimea reports that the factory manufacturing special installations and machinery for the food industry situated in the Ukrainian city of Simferopol has sent the last consignment of new model automated machinery for special food production units to the Iranian Yazd Packaging Company in Tehran. These automated installations, which are very efficient and easy to operate, can perform four operations simultaneously--wrapping, labeling, counting, and (?sealing) cans. With the dispatch of this consignment the delivery of goods by this unit to Iran, foreseen for the current year, has been completed. Crimean factories are also delivering machinery for the steel industries, equipment for electric welding, excavation pumps, hydraulic presses, polishers, trailers for tractors, and agricultural machinery spare parts. The existence of a transit shipping line from Iranian ports to Western Europe diminishes the time needed for delivery of goods. The Soviet port of Kertch on the Black Sea is the point where transit goods for Iran, transported via domestic Soviet waterroutes, are transshipped. The volume of goods carried via this transit route since the beginning of this year has approximately doubled in comparison with last year's. [Text] [Moscow in Persian to Iran 1800 GMT 30 Nov 83]

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